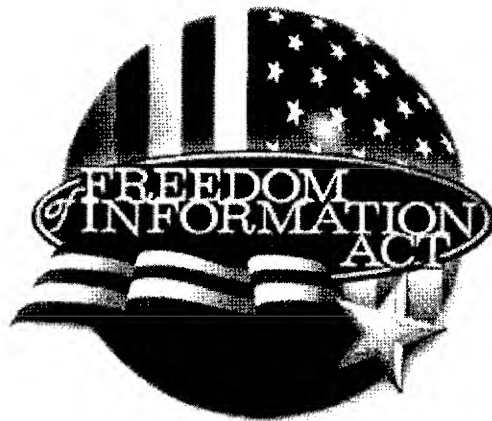


FREEDOM OF INFORMATION AND PRIVACY ACTS

SUBJECT: MORRIS B. DALITZ

FILE NUMBERS: 196-954, AND 197-2350 SECTIONS 1-3

PART:12 OF 12



FEDERAL BUREAU OF INVESTIGATION

**FEDERAL BUREAU
OF INVESTIGATION**

**FREEDOM OF INFORMATION/PRIVACY ACTS
RELEASE**

SUBJECT: MORRIS B. DALITZ

FILE: 196-954

**THE BEST COPY
OBTAINABLE IS
INCLUDED IN THE
REPRODUCTION OF
THESE DOCUMENTS.
PAGES INCLUDED THAT
ARE BLURRED, LIGHT, OR
OTHERWISE DIFFICULT
TO READ ARE THE
RESULT OF THE
CONDITION OF THE
ORIGINAL DOCUMENT.
NO BETTER COPY CAN BE
REPRODUCED.**

PX0003 2650750Z

RECEIVED
TELETYPE UNIT

RR HQ LV LA SD

72 SEP 79 08 00z

DE PX

R 220706Z SEP 79

FM PHOENIX (196-408) (P)

TO DIRECTOR (ROUTINE)

LAS VEGAS (ROUTINE)

LOS ANGELES (ROUTINE)

SAN DIEGO (ROUTINE)

BT

UNCLAS E F T O

ATTENTION: SA [REDACTED] LAS VEGAS DIVISION.

M. B. "MOE" DALITZ, DBA PARADISE DEVELOPMENT CORPORATION;

FBW; OO: PHOENIX. M. B. L.

OPERATION BUDMASH; OO: PHOENIX.

THIS CASE WAS INITIATED UPON CONTACT BY SUBJECT WITH
UNDERCOVER AGENTS (UCAS) OF PROJECT BUDMASH, WHICH IS WHITE
COLLAR CRIME SIMULATED BUSINESS OF PHOENIX DIVISION.

ON SEPTEMBER 20, 1979, [REDACTED]

[REDACTED] CONTACTED [REDACTED] SIMULATED BUSINESS

REGARDING THE DISCUSSION OF A 27 MILLION DOLLAR HOTEL/CASINO

Exec. AD-Adm.	
Exec. AD-Inv.	
Exec. AD-LES	
Asst. Dir.:	
Adm. Serv.	
Crim. Inv.	
Ident.	
Intell.	
Laboratory	
Legal Coun.	
Plan. & Insp.	
Rec. Mgnt.	
Tech. Servs.	
Training	
Public Affs. Off.	

UNRECORDED COPY FILED IN
196-583

EX-100
DE-58 REC-77

196-954-1

16 SEP 26 1979

RECE

SE

XEROX

60 1012 3 912

PAGE TWO PX 196-408 UNCLAS E F T O

b7C
b7D

LOAN FOR THE CONSTRUCTION OF THE [REDACTED] (X)
[REDACTED] (X) LOCATED AT (X) [REDACTED] LAS VEGAS,
NEVADA. (X) [REDACTED] INDICATED THAT DALITZ AND UNIDENTIFIED
ASSOCIATES HAVE BEEN APPROVED BY THE NEVADA GAMING COMMISSION
TO PURCHASE THE STARDUST AND THE FREMONT HOTELS FROM ARGENT
CORPORATION. [REDACTED] ANTICIPATES FINAL APPROVAL WITHIN THE
NEXT MONTH. IF THIS OCCURS, PARADISE DEVELOPMENT CORPORATION
WILL BE ONE OF THE LARGEST CASINO OPERATORS IN NEVADA. [REDACTED]

[REDACTED]
[REDACTED]
AND THEY HAVE MADE APPLICATION TO THE STATE RETIREMENT FUND
TO FUND THE 27 MILLION DOLLARS WITH A FIRST POSITION ASSIGNMENT
AFTER A LOAN PAYMENT IS MADE TO THE FIRST NATIONAL BANK OF
NEVADA.

[REDACTED] INDICATED THEY DID NOT WANT THIS INFORMATION
"ON THE STREET" AS THEY FEEL THEY WILL SUCCESSFULLY FUND THIS
MONEY THROUGH THE STATE RETIREMENT FUND, BUT HE PERSONALLY
FEELS THE FUND IS TOO SMALL AS THEY ONLY OBTAIN ABOUT SEVEN
MILLION DOLLARS PER MONTH FROM STATE EMPLOYEES. [REDACTED]
INDICATED HE DID NOT WANT TO SEND THE LOAN PACKAGE TO SIMULATED

PAGE THREE PX 196-408 UNCLAS E F T O

BUSINESS, STATING ~~THERE~~ WAS NO URGENCY BUT HE DID DESIRE TO DISCUSS THE MATTER WITH UCAS WHEN THEY WERE NEXT IN LAS VEGAS.

THE BUREAU IS REQUESTED TO CONDUCT MAIN INDICES SEARCH RE SUBJECT AND COMPANY.

ALL RECEIVING OFFICES ARE REQUESTED TO REVIEW INDICES AND CONDUCT CRIMINAL CHECKS REGARDING [REDACTED] AND M. B. "MOE" DALITZ. b7c

LAS VEGAS SHOULD ADVISE IF THEY DESIRE SIMULATED BUSINESS TO PURSUE THIS MATTER.

FOR INFO OF RECEIVING OFFICE, INVESTIGATION IN THIS MATTER IS BEING CONDUCTED THROUGH A HIGHLY SOPHISTICATED AND CONFIDENTIAL MEANS OF INVESTIGATION. RECIPIENTS SHOULD NOT INADVERTENTLY REVEAL AREA OF INVESTIGATION OUTSIDE THE BUREAU.

BT

1

3

b7C

OCTOBER 4, 1979

UNCLAS E F T O

PRIORITY

F102TPP SD LV PXEDE HQ H0102T #HTYETP 032058*9Z OCT 79

FM DIRECTOR FBI

TO FBI PHOENIX (196-408) PRIORITY

FBI LAS VEGAS PRIORITY

FBI SAN DIEGO PRIORITY

BT

UNCLAS E F T O

M. B. "MOE" DALITZ, DOING BUSINESS AS PARADISE DEVELOPMENT CORPORATION; FRAUD BY WIRE

00: PHOENIX

REFERENCE PHOENIX TELETYPE TO DIRECTOR SEPTEMBER 22, 1979.

BASED ON INFORMATION PROVIDED IN REFERENCE TELETYPE A SEARCH WAS MADE OF FBIHQ INDICES CONCERNING CAPTIONED SUBJECT AND FIRM. BUREAU INDICES ARE NEGATIVE REGARDING CAPTIONED FIRM.

BUREAU FILES REVEAL M.B. "MOE" DALITZ MAY BE IDENTICAL TO THE SUBJECT OF A CLOSED INVESTIGATION ENTITLED "MORRIS HARVEY DALITZ, ALSO KNOWN AS MOE DALITZ; [REDACTED] UNITED STATES NATIONAL BANK, SAN DIEGO, CALIFORNIA."

1 - MR. [REDACTED]
1 - MR. [REDACTED]
1 - FOF [REDACTED]

FEDERAL BUREAU OF INVESTIGATION
COMMUNICATIONS SECTION

OCT 04 1979

66 OCT 20 1979

OCT 4 1979

2

PAGE TWO DE HQ 0102 UNCLAS E F T O

BANK FRAUD AND EMBEZZLEMENT, OO: SAN DIEGO; SAN DIEGO FILE
{29-1225} BUREAU FILE, {29-75588}.

SAN DIEGO ADVISED BY REPORT DATED DECEMBER 4, 1975 OF AL-
LIGATIONS THAT

[REDACTED]

b7c
b7D

ON MARCH 17, 1976 THE USA OFFICE SAN DIEGO CALIFORNIA,
DECLINED PROSECUTION INASMUCH AS THE ALLIGATIONS COULD NOT
BE SUBSTATUTED WITH ANY EVIDENCE.

LAS VEGAS SHOULD ADVISE PHOENIX OF ANY PERTINENT INFOR-
MATION CONTAINED IN THEIR FILES IN THAT LIMITED INFORMATION
CONTAINED IN BUREAU FILES REVEALS THAT DALITZ HAS BEEN
CHARACTERIZED AS A PROMINENT FIGURE IN THE GAMBLING AND HOTEL
INDUSTRY AND HAS BEEN LISTED IN THE LAS VEGAS REPORT DATED

3

CONTINUATION

b2
b7C

PAGE THREE DEHQ*0**DE HQ 0102 UNCLAS E F T O

MAY 17, 1973 AS AN ASSOCIATE OF [REDACTED] (LV FILE [REDACTED])

BT

*

TO: DIRECTOR, FBI () **67C**
FROM: SAC, PHOENIX (196-408) (C)
SUBJECT: (M. B. (MOE) DALITZ,)
d/b/a PARADISE DEVELOPMENT COMPANY
FBW (B)
OO: PHOENIX

DATE: 1/28/80

The above captioned file is being retained beyond normal destruction rules. Re: Bureau airtel to Albany 3/12/79. captioned "Destruction of Field Files and Records; Elsur Matters".

Tickler date 10 years from RUC or CLOSING date to be reviewed, 1/25/90, review date initials.

67C

196-954-

NOT RECORDED

15 JAN 30 1980

1 - Bureau
1 - Phoenix (196-408)
1 - 66-1403-A

(3)

67C

67C **SIX**

68 FEB - 1980

**FEDERAL BUREAU
OF INVESTIGATION**
**FREEDOM OF INFORMATION/PRIVACY ACTS
RELEASE**

SUBJECT: MORRIS B. DALITZ

FILE: 197-2350 Section 1

Memorandum

Asst. Dir. _____
 Dep. AD Adm. _____
 Dep. AD Inv. _____
 Asst. Dir.: _____
 Adm. Servs. _____
 Crim. Inv. _____
 Ident. _____
 Intell. _____
 Laboratory _____
 Legal Coun. _____
 Plan. & Insp. _____
 Rec. Mgmt. _____
 Tech. Servs. _____
 Training _____
 Public Affs. Off. _____
 Telephone Rm. _____
 Director's Sec'y _____

TO : Assistant Director
 Criminal Investigative Division

DATE: 12/9/80

FROM : Legal Counsel *[redacted]*

SUBJECT: RANCHO LA COSTA, etc., et al., v.
 PENTHOUSE INTERNATIONAL, LTD., etc., et al.
 SUPERIOR COURT OF THE STATE OF CALIFORNIA
 CIVIL ACTION NO. C 124 901

PURPOSE: To advise of the receipt of a Subpoena For Deposition ordering production of FBI documents in connection with captioned litigation and the necessity for review and processing of documents in compliance therewith.

SYNOPSIS AND DETAILS: An article in the March, 1975, issue of Penthouse magazine described La Costa, a lavish resort in California, as well as the details of the major public controversy surrounding La Costa as the result of the background of its principal owners and the manner in which the resort was financed. In particular, the article described the backgrounds of the principal founder of La Costa, Morris B. Dalitz and his partner Allard Roen, stating that Dalitz has been involved in organized crime since the 1930's and that Roen was a protege of Dalitz. The article further stated that the resort had been financed in large part by loans obtained from the Central States Pension Fund of the International Brotherhood of Teamsters with the assistance of Allen Dorfman. Finally, the article stated that these facts concerning La Costa had resulted in official investigations by State and Federal law enforcement agencies, including the FBI.

In May, 1975, Rancho La Costa, Inc., and four corporate subsidiaries, as well as Dalitz, Roen, Merv Adelson and Irvin Molasky filed captioned litigation, seeking \$630 million in damages for libel. The complaint alleges that the Penthouse article falsely suggested that plaintiffs are "criminals" and "mobsters." Trial is scheduled to commence in February, 1981.

ENCLOSURE *[redacted]*
 Enclosure

- 1 - Assistant Director
 Criminal Investigative Division
 (Attn: Mr. McWeeney) (Enc.)
 1 - Mr. *[redacted]* (Enc.)

- 1 - Assistant Director
 Records Management Division
 (Attn: Mr. *[redacted]*) (Enc.)

(4) *b6*

53 JAN 13 1981

Legal Counsel to Assistant Director,
Criminal Investigative Division
RE: RANCHO LA COSTA, etc...

The California Superior Court, on motion of the defendants, found that good cause exists for the discovery of certain records in the possession of the FBI which are relevant to reports on the activities of the individual plaintiffs and certain associates who are reputed organized crime figures, and, on November 21, 1980, entered an Order that a commission issue for the deposition of the FBI.

The Subpoena For Deposition and related documents (copies attached) were served at FBIHQ on December 2, 1980.

The subpoena orders production of the documents sought in Attachment A on December 23, 1980.

A copy of the subpoena has been furnished to Civil Discovery Review Unit #2 (CDRU-2), Records Management Division (RMD). That Unit is in the process of locating the documents sought for review by the Criminal Investigative Division.

A copy of the subpoena has also been furnished to the Office of Legal Support Services, Criminal Division, Department of Justice.

Counsel for the defendants has discussed the production of the documents sought with Legal Counsel, noting the flexibility of the deposition date and defendants' desire to cooperate with the Bureau in obtaining copies of the documents sought.

In order to comply with the subpoena and insure the protection of any privileged information, it will be necessary for the Organized Crime Program (OCP), Criminal Investigative Division (CID) to review the documents prior to processing by CDRU-2, RMD. Information, the disclosure of which would tend to identify sources or informants, or jeopardize ongoing investigations, as well as any other privileged information, should be bracketed for excision.

The review and processing of the documents sought should be completed as expeditiously as possible.

Legal Counsel to Assistant Director,
Criminal Investigative Division
RE: RANCHO LA COSTA, etc...

RECOMMENDATIONS: (1) That the OCP, CID, designate a Supervisory Special Agent familiar with the investigations and activities of the plaintiffs in captioned litigation to assist Legal Counsel and RMD in compliance with the subpoena.

Jmy
OC/CID

APPROVED:	Adm. Serv. _____	Legal Coun. _____
	Crim. Inv. _____	Plan. & Insp. _____
Director _____		Rec. Mgmt. _____
Exec. AD-Adm. _____	Ident. _____	Tech. Servs. _____
Exec. AD-Inv. _____	Intell. _____	Training _____
Exec. AD-LES _____	Laboratory _____	Off. of Cong. & Public Affs. _____

b6

(2) That the CID designee review the documents located by RMD and bracket information contained therein which would tend to identify sources or informants, which would jeopardize ongoing investigations or which is otherwise privileged from disclosure.

Jmy

APPROVED:	Adm. Serv. _____	Legal Coun. _____
	Crim. Inv. _____	Plan. & Insp. _____
Director _____		Rec. Mgmt. _____
Exec. AD-Adm. _____	Ident. _____	Tech. Servs. _____
Exec. AD-Inv. _____	Intell. _____	Training _____
Exec. AD-LES _____	Laboratory _____	Off. of Cong. & Public Affs. _____

b6

(3) That CDRU-2, RMD, excise and copy the documents following review by CID, utilizing an excision code to be coordinated with Legal Counsel.

Jmy

APPROVED:	Adm. Serv. _____	Legal Coun. _____
	Crim. Inv. _____	Plan. & Insp. _____
Director _____		Rec. Mgmt. _____
Exec. AD-Adm. _____	Ident. _____	Tech. Servs. _____
Exec. AD-Inv. _____	Intell. _____	Training _____
Exec. AD-LES _____	Laboratory _____	Off. of Cong. & Public Affs. _____

b6

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**FEDERAL BUREAU OF INVESTIGATION
FOIPA DELETED PAGE INFORMATION SHEET**

Page(s) withheld entirely at this location in the file. One or more of the following statements, where indicated, explain this deletion.

- ☐ Deletions were made pursuant to the exemptions indicated below with no segregable material available for release to you.

Section 552Section 552a☐ (b)(1)☐ (b)(7)(A)☐ (d)(5)☐ (b)(2)☐ (b)(7)(B)☐ (j)(2)☐ (b)(3)☐ (b)(7)(C)☐ (k)(1)☐ (b)(7)(D)☐ (k)(2)☐ (b)(7)(E)☐ (k)(3)☐ (b)(7)(F)☐ (k)(4)☐ (b)(4)☐ (b)(8)☐ (k)(5)☐ (b)(5)☐ (b)(9)☐ (k)(6)☐ (b)(6)☐ (k)(7)

- ☐ Information pertained only to a third party with no reference to you or the subject of your request.
- ☐ Information pertained only to a third party. Your name is listed in the title only.
- ☐ Documents originated with another Government agency(ies). These documents were referred to that agency(ies) for review and direct response to you.

Pages contain information furnished by another Government agency(ies). You will be advised by the FBI as to the releasability of this information following our consultation with the other agency(ies).

7 Page(s) withheld for the following reason(s): Public Source -
Court Document

☒ For your information: Subpoena for Deposition +
Attachment

- ☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - 1 Enclosure

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 X DELETED PAGE(S) X
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XXXXXXFEDERAL BUREAU OF INVESTIGATION
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44 Page(s) withheld for the following reason(s): Public Source -
Court Document

☒ For your information: Defendant's Affidavit in Support of Subpoena
Duces Tecum Re: Deposition of the FBI & Exhibits

- ☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - 1 Enclosure

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3 Page(s) withheld for the following reason(s): Public Source -
Court Document

☒ For your information: Notice of Deposition

- ☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - 1 Enclosure

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145

DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION
COMMUNICATIONS REPORT

1 2

12/5/80

CLASSIFICATION

UNCLAS E F T O

PRIORITY

*F145PP CC SBIDE HQ H0145 *H3YESP 052236Z DEC 80

FM DIRECTOR FBI

TO FBI CHICAGO

{ATTN: [REDACTED]}

FBI SAN DIEGO

{ATTN: PRINCIPLE LEGAL ADVISOR}

BT

UNCLAS E F T O

RANCHO LACOSTA, ETC., ET AL., VS. PENTHOUSE INTERNATIONAL, LTD.,

ETC., ET AL.; {SUPER. CT., CAL. LA COUNTY}; CIVIL ACTION NO.C 124 931

REBUTELCALLS TO CHICAGO AND SAN DIEGO, DECEMBER 5, 1980.

AS A RESULT OF CAPTIONED CIVIL ACTION, SEVERAL FBI
DOCUMENTS HAVE BEEN SUBPOENAED. THESE DOCUMENTS ARE TO BE PRO-
DUCED AT A DEPOSITION SCHEDULED FOR DECEMBER 23, 1980, AT
WASHINGTON, D. C.

THE FOLLOWING DOCUMENTS COULD NOT BE LOCATED IN FBIHQ FILES:

SEE NOTE PAGE 3

1 - MR. MINTZ

{ATTN: [REDACTED]}

1 - MR. FINLEY

1 - MR. [REDACTED]

1 - [REDACTED]

1 - [REDACTED]

50 JAN 12 1981

FEDERAL BUREAU OF INVESTIGATION
COMMUNICATIONS SECTION

0926

DEC 6 1980

20 DEC 11 1980

DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION
COMMUNICATION MESSAGE FORM

2

COMMUNICAT SECRET

PAGE TWO DE HQ 0145 UNCLAS E F T O

1. CHICAGO AIRTEL TO LAS VEGAS DATED JULY 14, 1961, CAPTIONED, "MORRIS B. DALITZ, ANTI-RACKETEERING."

2. SAN DIEGO REPORT OF SA [REDACTED] DATED MARCH 28, 1968, CAPTIONED, "RANCHO LACOSTA, INC., ET AL."

{SD FILE NO. 92-398}

3. REPORT IN SAN DIEGO FILE 92-398, UNDATED, CAPTIONED, "A HISTORY OF THE LAS VEGAS GROUP BEHIND THE RANCHO LACOSTA OPERATION."

b6 AS ADVISED IN REFERENCED TELEPHONE CALLS, CHICAGO SHOULD SEARCH THEIR FILES FOR ABOVE-DESCRIBED DOCUMENT NUMBER 1 AND SAN DIEGO SEARCH FOR DOCUMENTS NUMBERED 2 AND 3. A XEROX COPY OF THE DOCUMENTS SHOULD BE RETAINED BY THE RECIPIENT OFFICES AND THE ORIGINALS FORWARDED TO FBIHQ, ATTENTION: [REDACTED] CIVIL DISCOVERY REVIEW UNIT - 2, ROOM 5448, FOR PROCESSING.

L DUE TO THE DECEMBER 23, 1980, DEPOSITION DATE, RECEIVING OFFICES ARE REQUESTED TO AFFORD THIS MATTER EXPEDITIOUS HANDLING. ANY QUESTIONS SHOULD BE DIRECTED TO SA [REDACTED] AT EXTENSION [REDACTED] b2

BT

DO NOT TYPE MESSAGE BELOW THIS LINE

PAGE 3

NOTE: CAPTIONED LITIGATION BEING COORDINATED WITH LEGAL COUNSEL
DIVISION. REQUESTED DOCUMENTS ARE INTER OFFICE COMMUNICATIONS
NOT AVAILABLE IN MAIN HEADQUARTERS FILES.

TRANSMIT VIA:

☐ Teletype☐ Facsimile☒ AIRTEL

PREFERENCE:

☐ Immediate☐ Priority☐ Routine

CLASSIFICATION

☐ TOP SECRET☐ SECRET☐ CONFIDENTIAL☐ UNCLAS E F T O☐ UNCLAS

Date 12/9/80

TO: DIRECTOR, FBI (ATTENTION: [REDACTED] CIVIL
DISCOVERY UNIT #2, ROOM 5448)

FROM: SAC, CHICAGO (197-85)

RANCHO LACOSTA, ETC., ET AL., PENTHOUSE
INTERNATIONAL, LTD., ETC. ET AL.;
(SUPER. CT. CAL. LA COUNTY)
CIVIL ACTION NO. C 124 901

Re Bureau teletype dated December 5, 1980.

Per your request there is enclosed Chicago original
serial 92-410-56 (Chicago airtel to Las Vegas, dated 7/14/81
entitled "Morris Barney Dalitz, AR."② - Bureau (Encl. 1) ~~ENCLOSURE~~
1 - Chicago*Enclosure retained
by COU-2, to
be returned after
proximity to Chicago
12/12/80*-2350-3
DEC 12 1980Approved: 16

Transmitted

(Number) (Time)

Per

★ U.S. GOVERNMENT PRINTING OFFICE: 1980-305-750/5402

69 JAN 16 1981

FBI

TRANSMIT VIA:

☐ Teletype☐ Facsimile☒ AIRTEL

PRECEDENCE:

☒ Immediate☐ Priority☐ Routine

CLASSIFICATION:

☐ TOP SECRET☐ SECRET☐ CONFIDENTIAL☐ UNCLAS E F T O☐ UNCLAS

Date 12/8/80

DIRECTOR, FBI

ATTN: [REDACTED]

ROOM 5448

CIVIL DISCOVERY REVIEW UNIT

FROM: SAC, SAN DIEGO (197-47) (RUC)

Re Butelcal to San Diego 12/5/80, and Bureau teletype to Chicago & San Diego 12/6/80.

San Diego was unable to locate SD report of SA [REDACTED] dated 3/28/68, Captioned, "Rancho LaCosta, Inc., et al."

Attached herewith is San Diego report "A History of the Las Vegas Group Behind the Rancho La Costa Operation."

ENCLOSURE

- 2 - Bureau (encl. 1)
- 1 - San Diego

(3)

197-230-4
20 DEC 10 1980

DOC.

REV.

64 JAN 22 1981

Approved: [REDACTED]

Transmitted

(Number)

(Time)

Per

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**FEDERAL BUREAU OF INVESTIGATION
FOIPA DELETED PAGE INFORMATION SHEET**

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Section 552Section 552a☐ (b)(1)☐ (b)(7)(A)☐ (d)(5)☐ (b)(2)☐ (b)(7)(B)☐ (j)(2)☐ (b)(3)☐ (b)(7)(C)☐ (k)(1)☐ (b)(7)(D)☐ (k)(2)☐ (b)(7)(E)☐ (k)(3)☐ (b)(7)(F)☐ (k)(4)☐ (b)(4)☐ (b)(8)☐ (k)(5)☒ (b)(5)☐ (b)(9)☐ (k)(6)☒ (b)(6)☐ (k)(7)

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Page(s) withheld for the following reason(s):

☐ For your information:

☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - 4X (Defendant's Attorney's letter
dated 11/2/81 + Enclosure)

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 X NO DUPLICATION FEE X
 X FOR THIS PAGE X
 XXXXXXXXXXXXXXXXXXXXXXXX

Airtel

2/3/71

Director, FBI

SACs, Chicago

(Attn: Principal Legal Advisor)

Los Angeles

(Attn: Principal Legal Advisor)

San Diego

(Attn: Principal Legal Advisor)

AMSCO LOGISTICS, etc., et al., v.
FORNHOUSE INTERNATIONAL, LTD. etc., et al.
(SUPER. CT., CAL. LA COUNTY)
CIVIL ACTION NO. C 124901

Rebutal to Chicago and San Diego dated 12/6/70, San Diego airtel to Bureau dated 12/9/70, Chicago airtel to Bureau dated 12/8/70, and Chicago to Los Angeles on 2/2/71.

Attached herewith for San Diego is San Diego's original report dated 5/15/70, entitled, "A History of the Las Vegas Group Behind the Amasco Logistics Operation (CG 22-308-98)", and also attached for Chicago is Chicago's original copy of their airtel to Las Vegas dated 7/14/71, entitled, "Morris Stanley Weiner, Ad" (CG 22-417-56). These items are being returned for refiling.

For the information of Los Angeles, in May, 1970, Amasco Logistics, Inc., and four corporate subsidiaries, as well as Morris A. Weiner, Alfred Rosen, Harry Wilson, and Irvin Molinsky, filed captioned litigation seeking \$500 million in damages for libel. The complaint alleges that an article appearing in the March, 1970, issue of Penthouse magazine falsely asserted that plaintiffs were "criminals" and "prostitutes".

On 10/1/70, as a result of captioned litigation, a subpoena for documents and related documents was served at FBIHQ.

1981 C - 971

Chicago (Enc.)
San Diego (Enc.)

1 - Mr. Mintz

(Attn: [redacted])

1 - Mr. Finzel

1 - Mr. Dean

1 - [redacted]

1 - [redacted]

1 - [redacted]

1 - [redacted]

1 - [redacted]

1 - [redacted]

1 - [redacted]

1 - [redacted]

1 - [redacted]

1 - [redacted]

1 - [redacted]

1 - [redacted]

1 - [redacted]

1 - [redacted]

1 - [redacted]

APPROVED:

Director

Exec AD-Adm

Exec AD-Inv

Exec AD-LES

Adm. Serv.

Comm. Inv.

Ident.

Intell.

Laboratory

Legal Coun.

Plan. & Insp.

Rec. Mgmt.

Tech. Servs.

Training

Off. of Cong. & Public Aff.

SEE NOTE PAGE TWO

BEST COPY AVAILABLE

Airtel to SACs, CH, LA SD
Re: Rancho LaCosta, Inc., et al., v.
Penthouse International, Ltd, etc., et al.

In response to this subpoena, Los Angeles is requested to send LA 22-1776 to FBIHQ for processing.

San Diego is requested to forward to FBIHQ the airtel from San Diego to Las Vegas dated 7/14/75, entitled, "Rancho LaCosta, Inc., et al., - AR," SD 92-198.

These materials should be expeditiously forwarded to FBIHQ, Attention: Civil Discovery Review Unit #2, Room 5445, J. Edgar Hoover Building. Any questions should be directed to SA [REDACTED] at extension [REDACTED]

b2
b6

NOTE: Captioned litigation being coordinated with Legal Counsel Division. Requested documents are inter and intra office communications not available in main Headquarters file.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 2/4/81

TO: **b6** DIRECTOR, FBI
 ATTENTION: [REDACTED] ROOM 5548

FROM: SAC, LOS ANGELES (197-NEW) (1) (P)

SUBJECT: 0 RANCHO LACOSTA INCORPORATED VERSUS
PENTHOUSE INTERNATIONAL LIMITED
 (LOS ANGELES SUPERIOR COURT)

Re Bureau telephone call to Los Angeles, dated 2/2/81.

Enclosed for the Bureau is the original serials for volumes one and two in LA file 92-1876, Bufile 92-8197. The enclosed materials are being furnished to FBI Headquarters per above referenced telephone call.

(Signature)

197-2350-6

15 FEB 18 1981

[REDACTED]

- ③ - Bureau (Encl. 2) (RM)
 1 - Los Angeles

[REDACTED]

*one copy of serial
 retained by COA-2*

b6

(Signature)

64 MAR 5 1981

Approved: *138*

Transmitted

(Number)

(Time)

Per

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O.
☐ UNCLAS

Date 2/11/81

TO : DIRECTOR, FBI

FROM : SAC, SAN DIEGO (197-NEW) (RUC)

SUBJECT: RANCHO LA COSTA, etc., et al., v.
PENTHOUSE INTERNATIONAL, LTD, etc., et al.
(SUPER. CT., CAL. LA COUNTY)
CIVIL ACTION NO. C124901

ReBuairtel to Chicago dated 2/3/81.

Enclosed for Bureau is one copy of San Diego airtel to Las Vegas dated 7/14/75, entitled "RANCHO LA COSTA, INC., ET AL., AR." San Diego is unable to locate enclosure sent to Las Vegas and Los Angeles with airtel.

② - Bureau (Encl. 1)
 2 - San Diego
 (1 - 197-)
 (1 - 92-398)

(4)

17 FEB 19 1981

Approved: [Signature]Transmitted [Signature]

(Number)

(Time)

69 MAR 06 1981

FBI/DOJ

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XXXXXXFEDERAL BUREAU OF INVESTIGATION
FOIPA DELETED PAGE INFORMATION SHEET

3 Page(s) withheld entirely at this location in the file. One or more of the following statements, where indicated, explain this deletion.

☒ Deletions were made pursuant to the exemptions indicated below with no segregable material available for release to you.

Section 552

Section 552a

☐ (b)(1)☐ (b)(7)(A)☐ (d)(5)☐ (b)(2)☐ (b)(7)(B)☐ (j)(2)☐ (b)(3)☐ (b)(7)(C)☐ (k)(1)☐ (b)(7)(D)☐ (k)(2)☐ (b)(7)(E)☐ (k)(3)☐ (b)(7)(F)☐ (k)(4)☐ (b)(4)☐ (b)(8)☐ (k)(5)☒ (o)(5)☐ (b)(9)☐ (k)(6)☒ (b)(6)☐ (k)(7)

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Pages contain information furnished by another Government agency(ies). You will be advised by the FBI as to the releasability of this information following our consultation with the other agency(ies).

Page(s) withheld inasmuch as a final release determination has not been made. You will be advised as to the disposition at a later date.

Pages were not considered for release as they are duplicative of _____

☐ For your information: _____

☒ The following number is to be used for reference regarding these pages:

197-2350-7 pgs 2+3, 197-2350-8

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FBI/DOJ

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**FEDERAL BUREAU OF INVESTIGATION
FOIPA DELETED PAGE INFORMATION SHEET**

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Section 552**Section 552a**☐ (b)(1)☐ (b)(7)(A)☐ (d)(5)☐ (b)(2)☐ (b)(7)(B)☐ (j)(2)☐ (b)(3)☐ (b)(7)(C)☐ (k)(1)☐ (b)(7)(D)☐ (k)(2)☐ (b)(7)(E)☐ (k)(3)☐ (b)(7)(F)☐ (k)(4)☐ (b)(4)☐ (b)(8)☐ (k)(5)☐ (b)(5)☐ (b)(9)☐ (k)(6)☐ (b)(6)☐ (k)(7)

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55 Page(s) withheld for the following reason(s): Public Source

Court Documents

☒ For your information: Defendant's Memorandum of Points & Authorities
in Support of Court's Order of 4/24/81 & Appendices

- ☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - Not Recoded

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197-2350-

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MAY 14 5 00 PM '81

CIVIL LITIGATION
UNIT
LEGAL COUNSEL

NOT RECORDED

15 MAY 19 1981

20 MAY 28 1981



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MAY 20 1981

67C
SUPERIOR COURT OF THE DISTRICT
OF COLUMBIA

RANCHO LaCOSTA, et al.,

Plaintiffs,

v.

Misc. 164-80

PENTHOUSE INTERNATIONAL, et al.,

Defendants.

O R D E R

Upon consideration of the Commission issued by the Superior Court of California, County of Los Angeles and it appearing to the Court that the Commission is in proper order, and

Upon consideration of the request of the Federal Bureau of Investigation for a protective order, it is by the Court this 24th day of April, 1981

ORDERED, that pursuant to 14 D.C. Code 103 leave is granted to defendants Penthouse International, et al., to take the deposition of such person designated by the Federal Bureau of Investigation as its custodian of records and that subject to the exceptions set forth below, said individual will produce at the time of his deposition ^{and} ~~prior thereto~~, the documents requested by defendants and described in paragraphs 1-30 of the subpoena previously issued and approved by this Court on December 1, 1980, and in Exhibit A to the letter of January 12, 1981, clarifying the items requested by paragraph 31 of Attachment A to the subpoena issued by this Court (Hereinafter, the "Subpoena") and it is

FURTHER ORDERED, that the Federal Bureau of Investigation shall not be required to disclose and may redact the documents involved herein to delete names of confidential sources of information, information which would tend to identify confidential sources of information, information the release of which would interfere with ongoing criminal law enforcement investigations, and information

1cc memo
6/27/81 7726

66

prohibited from disclosure pursuant to 28 C.F.R. 16.32 (1980).

FURTHER ORDERED, that all information contained in the documents subject to the Subpoena which is not withheld pursuant to the above paragraph but which is subject to the provisions of the Privacy Act, 5 U.S.C. 552a et seq., is hereby ordered to be disclosed.

James A. Belton

JOHN C. MARTIN
Assistant United States Attorney
U.S. District Courthouse
Room 2838
Washington, D.C. 20001
(202) 633-5318

W. TOLIVER BESSON
Paul, Hastings, Janofsky and Walker
Sixth Floor
1050 Thomas Jefferson Street, N.W.
Washington, D.C. 20007
(202) 333-8500

JOHN A. DITO, ESQUIRE
Buchalter, Nemer, Fields,
Chrystie & Younger
700 South Flower Street
Suite 700
Los Angeles, California 90017

MICHAEL SILVERBERG, ESQUIRE
Phillips, Nizer, Benjamin,
Krim & Ballon
40 West 57th Street
New York, New York 10019

TRUE COPY

TEST: APR 24 1981

THOMAS A. DUCKENFIELD

Clerk, U.S. District Court of
Columbia

William J. Browne
Deputy Clerk

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**FEDERAL BUREAU OF INVESTIGATION
FOIPA DELETED PAGE INFORMATION SHEET**

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Section 552Section 552a☐ (b)(1)☐ (b)(7)(A)☐ (d)(5)☐ (b)(2)☐ (b)(7)(B)☐ (j)(2)☐ (b)(3)☐ (b)(7)(C)☐ (k)(1)☐ (b)(7)(D)☐ (k)(2)☐ (b)(7)(E)☐ (k)(3)☐ (b)(7)(F)☐ (k)(4)☐ (b)(4)☐ (b)(8)☐ (k)(5)☒ (b)(5)☐ (b)(9)☐ (k)(6)☒ (b)(6)☐ (k)(7)

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Page(s) withheld for the following reason(s):

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☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - 9 (Plaintiff's Attorney's letter dated 5/19/81)

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**FEDERAL BUREAU OF INVESTIGATION
FOIPA DELETED PAGE INFORMATION SHEET**

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20 Page(s) withheld for the following reason(s): Public Source -
Court Document

☒ For your information: Plaintiff's Supplemental Brief in Support of
Motion to Vacate Subpoena and Order

- ☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - 9 Enclosure

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XXXXXXFEDERAL BUREAU OF INVESTIGATION
FOIPA DELETED PAGE INFORMATION SHEET2

Page(s) withheld entirely at this location in the file. One or more of the following statements, where indicated, explain this deletion.

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Page(s) withheld for the following reason(s):

☐ For your information:

- ☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - 10 (HQ letter dated 5/11/81)

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Memorandum



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Rec. Mgnt. _____
Tech. Servs. _____
Training _____
Off. of Cong. & Public Affs. _____
Telephone Rm. _____
Director's Sec'y _____

To : Assistant Director
Records Management Division

Date 5/19/81

From : Legal Counsel *JLM*

Subject: RANCHO LA COSTA, etc., et al., v.
PENTHOUSE INTERNATIONAL, LTD., etc., et al.
SUPERIOR COURT OF THE STATE OF CALIFORNIA
CIVIL ACTION NO. C 124 901

PURPOSE: To request designation of a deponent to produce at deposition FBI documents subpoenaed in connection with captioned litigation.

SYNOPSIS AND DETAILS: By memoranda dated 12/9/80 and 2/10/81 you were advised of the issuance of a Subpoena For Deposition seeking production of FBI documents sought by the defendant in captioned matter.

Review and processing of the subpoenaed documents has been handled by the Civil Discovery Review Unit #2 (CDRU-2), Records Management Division (RMD) under the supervision of Supervisory Special Agent [REDACTED]

Following initial review of the documents sought, we advised counsel for the defendants that compliance with the subpoena would violate Title 5, U. S. Code, Section 552a(b) and that we would not produce any documents without the consent of the subjects thereof or a court order compelling production.

On April 24, 1981, defendants obtained an Order from the Superior Court of the District of Columbia that the FBI produce the subpoenaed documents to the extent that they or information contained therein are not privileged. Counsel for the defendants thereafter noticed a deposition for production of the documents at Washington, D.C. on 5/15/81. Counsel for the defendants noted at the time the Order was entered that production of the documents to them without the necessity of a formal deposition would be satisfactory.

1 - Assistant Director
Records Management Division
(Attn: [REDACTED])

1 - [REDACTED]

177-2350-11

23 MAY 21 1981

LEGAL COUNSEL

Legal Counsel to Assistant Director,
Records Management Division
RE: RANCHO LA COSTA...

On 5/14/81, counsel for the plaintiffs filed a Motion to Stay And Vacate Foreign Subpoena Duces Tecum As Improvidently Issued and a hearing was held before the Judge who entered the 4/24/81 Order. Following argument by counsel for both parties the Court ordered the briefing of several issues by 5/19/81. Following submission of the requested briefs, the Court will rule on production of the documents.

During the course of the 5/14/81 hearing, counsel for the plaintiffs noted that the 4/24/81 Order indicated that the subpoenaed documents be produced at a deposition. They will insist that a deposition be held to produce the documents.

The original subpoena served on the FBI ordered the appearance of Director Webster, the Assistant Director, RMD or "any other duly designated witness" at the deposition to produce the documents. Assuming that the court will, at some time in the near future, order compliance with the subpoena, RMD should designate a representative from that Division who is familiar with this matter to appear as a deponent. We will be represented at the deposition by Assistant United States Attorney John M. Martin. You will be advised as soon as a date certain is set.

RECOMMENDATION: That RMD designate a Special Agent familiar with the review and processing of the subpoenaed documents to appear as a deponent for production of the documents. The identity of the designee should be furnished to Legal Counsel.

APPROVED:	_____ Special Agent	Legal Counsel
Director	_____ Special Agent	_____ Special Agent
Asst. Dir.:	_____ Adm. Serv.	_____ Ident.
Asst. Dir.:	_____ Crim. Inv.	_____ Lab.
Asst. Dir.:	_____ Off. Cong. & Public Affs.	_____ Rec. Mgmt.
Asst. Dir.:	_____ Tech. Serv.	_____ Training

John M. Martin
2/25/83

ADDENDUM: RECORDS MANAGEMENT DIVISION, 5/20/81, [REDACTED]

b6 This is to advise that Supervisory SA [REDACTED] should be designated as the representative of Records Management Division for the purposes of producing records at the deposition in captioned matter.

Airtel

5/26/81

Director, FBI

SAC, San Diego
(Attn: Principal Legal Advisor)

RANCHO LaCOSTA, etc., et al., v.
PENTHOUSE INTERNATIONAL, LTD, etc., et al.
(SUPER. CT., CAL. LA COUNTY)
CIVIL ACTION NO. C 124901

ReButelcal to San Diego, 5/22/81.

By referenced telephone call, San Diego advised that a Freedom of Information/Privacy Act request had been made for San Diego file entitled "Rancho LaCosta, etc.", file number 92-398, by [REDACTED] a Washington, D.C., attorney.

In order to facilitate comparisons between San Diego's previous release and Headquarter's pending release in captioned matter, San Diego was requested to forward a copy of the San Diego release to FBIHQ, Civil Discovery Review Unit #2, Room 5448, Attention: SA [REDACTED]

Any questions should be directed to SA [REDACTED] at extension [REDACTED]

- 1 - Mr. Mintz
(Attn: [REDACTED])
- 1 - Mr. Greenleaf
(Attn: [REDACTED])
- 1 - Mr. Finzel
- 1 - Mr. Dean

NOTE: As a result of captioned litigation, several FBI documents have been subpoenaed. During the course of several conversations between SA [REDACTED] Legal Counsel Division, and Counsel for the Defendants, it was learned that defendants were already in possession of several documents identical to the ones requested but could not introduce them into court. Defendants' counsel refused to divulge the source of the documents. This information was provided to the Office of Professional Responsibility (OPR) by SA [REDACTED] On 5/21/81, SA [REDACTED] OPR, requested that CDRU-2 attempt to determine whether or not any of the documents in the possession of defendants' counsel were obtained through FOIPA requests from either the Chicago, Los Angeles, or San Diego Offices. On 5/22/81, these offices were telephonically contacted by CDRU-2 personnel. San Diego is the only office that made an FOIPA release of documents concerning LaCosta. When received, these documents will be matched with the documents received by defendants to determine whether defendants are in possession of FBI documents obtained outside the scope of FOIPA or discovery requests.

**FEDERAL BUREAU
OF INVESTIGATION**

**FREEDOM OF INFORMATION/PRIVACY ACTS
RELEASE**

SUBJECT: MORRIS B. DALITZ

FILE: 197-2350 Section 2

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XXXXXXFEDERAL BUREAU OF INVESTIGATION
FOIPA DELETED PAGE INFORMATION SHEET

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Section 552

Section 552a

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17 Page(s) withheld for the following reason(s): Public Source -
Court Documents

☒ For your information: Plaintiff's Motion to Stay + Vacate Foreign
Subpoena Duces Tecum as Improvidently Issued

- ☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - Not Recorded

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Page(s) withheld for the following reason(s):

Public Source -Court Documents

☒ For your information: Affidavit + Exhibits in Support of
Plaintiff's Motion

- ☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - Not Recorded - Attachment

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XXXXXXFEDERAL BUREAU OF INVESTIGATION
FOIPA DELETED PAGE INFORMATION SHEET4

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HQ 197 - 2350 - 13

(Plaintiff's attorney's letter dated 5/15/81)

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FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 6/1/81

TO: DIRECTOR, FBI
 ATTY: CIVIL DISCOVERY REVIEW UNIT #2
 ROOM 5448 SA [REDACTED]

FROM: [REDACTED], SAN DIEGO (197-47) (RUC)

RANCH LA COSTA, etc., et al., v.
 PENTHOUSE INTERNATIONAL, LTD., etc., et al.
 (SUPER CT., CAL. LA COUNTY)
 CIVIL ACTION NO. C124901

Re Bureau airtel to San Diego 5/26/81, and Butelcal to San Diego 5/22/81.

For the information of the Bureau, both [REDACTED] and [REDACTED] aka [REDACTED] have made FOIPA requests on themselves. Part of the located documents were 3 "see references" pertaining to these men from San Diego file 92-398 (main file for La Costa).

Enclosed for the Bureau are copies of 190-51 re [REDACTED] and 190-41 re [REDACTED]

2 - Bureau (encl. 2) **ENCLOSURE**
 1 - San Diego

(3)

*Enclosures maintained
 by CDRH-2
 6/4/81*

197-2350-14

7 JUN 4 1981

DOC.

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

SUPERIOR COURT OF THE DISTRICT OF COLUMBIA

Civil Division

FILED

JUN 10 1981

Seal of Court
of the District of Columbia
Washington, D. C.

RANCHO LA COSTA, et al.

Plaintiffs

Misc. No. 164-80

PSYCHUSSE INTERNATIONAL, LTD., et al.

Defendants

ORDER

This action is before the Court upon the motions of plaintiffs to vacate the subpoena issued by the Court on December 1, 1980, and its order of April 24, 1981, both of which relate to the proposed deposition of the custodian of the records of the Federal Bureau of Investigation. Defendants seek to take that deposition in the District of Columbia pursuant to commission issued by the Superior Court for Los Angeles County, California.

For reasons set forth below this Court will stay these proceedings pending consideration by the originating court of questions relating to the scope of the deposition, allegations of violation of the Privacy Act, 5 U.S.C. (1976) 552a, and plaintiffs' request for a protective order relating to the use of the materials to be produced by the records custodian (made informally before this Court in the affidavit of Thomas G. Jackson, May 13, 1981, at page 4).

Since many of the arguments raised by plaintiffs are insubstantial, this Court will address several of them as ~~briefly~~ for the purpose of expediting matters and to avoid further proceedings in this Court.

Plaintiffs have objected to the ex parte nature of earlier proceedings in this Court. The procedures by defendants to obtain the subpoena and order were ex parte and proper. Subpoenas, including those which relate to

depositions taken upon commissions issued by foreign courts,

64 AUG 14 1981

Best copy available

66

66

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are customarily sought and issued ex parte. Likewise, an application for an order entered with the consent of deponent limiting the scope of a previously authorized subpoena was appropriately made in the same manner. The Court notes, however, that it directed counsel for the United States to mail copies of the order of April 28, 1981, to plaintiffs' counsel, and that there was unnecessary delay in that mailing.

Subpoenas duces tecum routinely issue in connection with depositions taken pursuant to commissions of foreign courts. Indeed, it would be extremely difficult to take the deposition of an out-of-state records custodian in connection with a trial pending in a state court if such subpoenas were not available.

Furthermore, this Court routinely issues subpoenas for federal employees for deposition and trial appearances. The amenability of the federal government to suit appears not to be involved here. The Court is confident that the United States Attorney would raise an objection if the subpoena involved here were beyond the jurisdiction of this Court. Plaintiffs appear to lack standing to raise that matter.

It is clear that the California court intended its commission to authorize production of all the items numbered 1 through 30 referred to in Exhibit A to the declaration of Kent Farnsworth, executed on the 30th day of October, 1980, and submitted in connection with the action in the California court for issuance of a subpoena. The California court found that good cause appeared for the taking of the requested deposition of the custodian of the records referred to in the papers submitted to it. Thus, the order of the California court dated November 21, 1980, considered in conjunction with the commission issued pursuant to that order, clearly serves as the basis for issuance of a subpoena duces tecum relating to those 30 items.

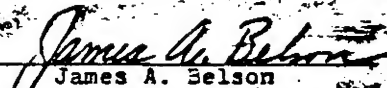
However, the same cannot be said with respect to items 31 through 54, as described in Exhibit A to Mr. Farnsworth's letter of January 12, 1981, addressed to Dennis Hoffman, Esq. The California court never passed on the question whether good cause was shown for the taking of the deposition of the custodian of such additional materials.

Rather than proceed piecemeal with the taking of the deposition in this jurisdiction, it appears more appropriate that the matter be resubmitted to the California court for consideration of the question whether good cause has been shown for the taking of the deposition of the custodian of items 31 through 54 and the issuance of a subpoena duces tecum for that purpose.

It also seems appropriate that the originating court should decide any request of plaintiffs for a protective order regarding the treatment by defendants of information received pursuant to the discovery in question, if such relief is sought. Furthermore, plaintiffs have raised questions concerning the application of the Privacy Act, supra, to defendants' request for information from the FBI files. Plaintiffs contend inter alia that defendants should not be permitted to legitimize through the deposition procedure their allegedly improper acquisition of detailed information from FBI files in violation of the Privacy Act, and that the Privacy Act's requirement of an order of a court of competent jurisdiction as a basis for release of materials from FBI files is not properly met by the procedure of issuance of a subpoena duces tecum which is later amended with deponent's consent by a limiting court order. It appears far more appropriate that such claims should be considered by a court which is intimately familiar with the litigation rather than by a court which is serving in an ancillary capacity.

Accordingly, it is by the Court this 9th day of
July, 1981

ORDERED, that this action be, and it is hereby,
stayed pending submission to the originating court of the
issues identified herein.


James A. Belson
Judge

Copies mailed this ____ day
of July, 1981 to:

Loren Kieve, Esq.
1250 Connecticut Avenue, N.W.
Washington, DC 20036

W. Tolliver Besson, Esq.
1050 Thomas Jefferson Street
Washington, DC 20007

John C. Martin, Esq.
Assistant U.S. Attorney
U.S. Court House
Rm. 2838
Washington, DC 20001

Michael Silverberg, Esq.
40 West 57th Street
New York, New York 10019

Kent Farnsworth, Esq.
555 South Flower Street
Los Angeles, California 90071

Grutman & Schafrann
505 Park Avenue
New York, New York 10022

Hon. George M. Dell
Superior Court of the
State of California
c/o Clerk of the Court
Los Angeles, California

John A. Dico, Esq.
701 South Flower Street
Suite 700
Los Angeles, California 90017

Dennis Hoffmann
Federal Bureau of Investigation
10th and Pennsylvania Avenue, N.W.
Washington, DC 20535

XXXXXX
XXXXXX
XXXXXX

**FEDERAL BUREAU OF INVESTIGATION
FOIPA DELETED PAGE INFORMATION SHEET**

1 Page(s) withheld entirely at this location in the file. One or more of the following statements, where indicated, explain this deletion.

- ☒ Deletions were made pursuant to the exemptions indicated below with no segregable material available for release to you.

Section 552**Section 552a**☐ (b)(1)☐ (b)(7)(A)☐ (d)(5)☐ (b)(2)☐ (b)(7)(B)☐ (j)(2)☐ (b)(3)☐ (b)(7)(C)☐ (k)(1)☐ (b)(7)(D)☐ (k)(2)☐ (b)(7)(E)☐ (k)(3)☐ (b)(7)(F)☐ (k)(4)☐ (b)(4)☐ (b)(8)☐ (k)(5)☒ (b)(5)☐ (b)(9)☐ (k)(6)☒ (b)(6)☐ (k)(7)

- ☐ Information pertained only to a third party with no reference to you or the subject of your request.
- ☐ Information pertained only to a third party. Your name is listed in the title only.
- ☐ Documents originated with another Government agency(ies). These documents were referred to that agency(ies) for review and direct response to you.

Pages contain information furnished by another Government agency(ies). You will be advised by the FBI as to the releasability of this information following our consultation with the other agency(ies).

Page(s) withheld for the following reason(s): _____

☐ For your information: _____

- ☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - 15 (Plaintiff's Attorney's letter dated 8/3/81)

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LAW OFFICES OF
PAUL, HASTINGS, JANOFSKY & WALKER

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

1050 THOMAS JEFFERSON STREET, N. W.

SIXTH FLOOR

WASHINGTON, D. C. 20007

TELEPHONE (202) 333-8500

OF COUNSEL
LEE G. PAUL
ROBERT F. HASTINGS
CHARLES M. WALKER

LOS ANGELES OFFICE
TWENTY-SECOND FLOOR
556 SOUTH FLOWER STREET
LOS ANGELES, CALIFORNIA 90071
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ATLANTA OFFICE
SUITE 1100
230 PEACHTREE STREET, N. W.
ATLANTA, GEORGIA 30303
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ORANGE COUNTY OFFICE
SEVENTEENTH FLOOR
695 TOWN CENTER DRIVE
COSTA MESA, CALIFORNIA 92626
TELEPHONE (714) 841-1100

WEST LOS ANGELES OFFICE
FIFTH FLOOR
1299 OCEAN AVENUE
SANTA MONICA, CALIFORNIA 90401
TELEPHONE (213) 481-2438

July 29, 1981

OUR FILE NO. _____

b6
[REDACTED] Esq.
Federal Bureau of Investigation
J. Edgar Hoover Building
Room 7326
9th and Pennsylvania Avenue, N.W.
Washington, D.C. 20535

Dear [REDACTED]

Enclosed by messenger is a copy (not certified) of Judge Nunzio's Order dated July 24, 1981, setting the deposition and production of documents by the FBI in Rancho La Costa et al. v. Penthouse International, et al. This is to confirm also that [REDACTED] Supervisory Special Agent, will be the deponent, and that the deposition will go forward at 11:00 a.m. tomorrow, July 30, 1981, at our offices.

If you have questions concerning the Order or tomorrow's deposition and production, please do not hesitate to call.

Sincerely,

Paul A. Zevnik

Paul A. Zevnik
for PAUL, HASTINGS, JANOFSKY & WALKER

Enclosure

FILE DE-47 197-2350-16

3 AUG 4 1981

ICC MADE,
LCD, RM752C

SEP 14 1981

b6
9 [REDACTED]

SUPERIOR COURT OF THE DISTRICT OF COLUMBIA
CIVIL DIVISION

RANCHO LA COSTA, etc., et al.,

Plaintiffs,

v.

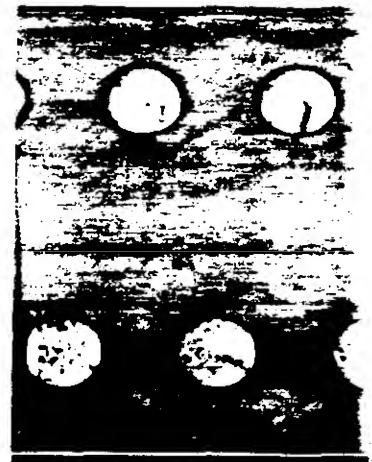
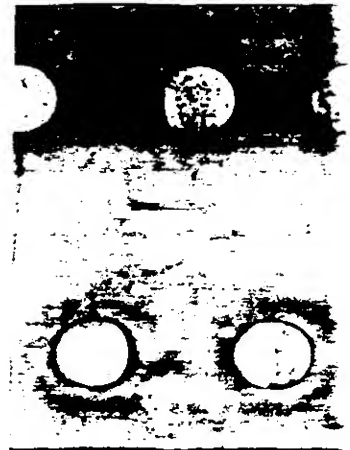
PENTHOUSE INTERNATIONAL, LTD., etc.
et al.,

Defendants.

Misc. No. 164-80

ORDER

Upon consideration of (1) this Court's Order of April 24, 1981 (a copy of which is attached hereto as Exhibit A and incorporated herein by reference); (2) this Court's Order of July 9, 1981 (a copy of which is attached hereto as Exhibit B and incorporated herein by reference); (3) the Los Angeles Superior Court's Order of July 21, 1981, (a copy of which is attached hereto as Exhibit C and incorporated herein by reference), responding to this Court's July 9th Order; (4) the Commission issued by the Superior Court of California, County of Los Angeles; (5) the subpoena issued by this Court on December 1, 1981; (6) plaintiffs' Motion to Stay and Vacate Foreign Subpoena Duces Tecum as Improvidently Issued, and Affidavit of Thomas G. Jackson; (7) the submissions of the parties pursuant to this Court's request of May 14, 1981; (8) the motions of the respective parties before the Los Angeles Superior Court on Friday, July 17, 1981, the memoranda and declarations filed in support of said motions, and the arguments of the parties at said hearing; and (9) the defendants' Motion for Order Vacating Stay and Setting Date for Deposition and Production of Documents at Deposition; it appearing to the Court that the



Court's Order of April 24, 1981 was ~~previously~~ granted, it is by the Court this 24 day of July, 1981.

ORDERED, that the order of this Court dated April 24, 1981, (a copy of which is attached hereto as Exhibit A and incorporated herein by reference) concerning the deposition of the custodian of records of the FBI is ~~reaffirmed~~, and it is

FURTHER ORDERED, that documents one (1) to fifty-four (54) as identified on the list attached hereto as Exhibit D and incorporated herein by reference shall be produced at the deposition of the custodian of records of the FBI, and it is

FURTHER ORDERED, that the Stay of the deposition issued by this Court on July 9 is hereby dissolved; and it is

FURTHER ORDERED, that said deposition and production of documents shall take place at 10:00 a.m. on 30 July, 1981, at the office of Paul, Hastings, Janofsky & Walker, 1050 Thomas Jefferson Street, N.W., Sixth Floor, Washington, D.C. 20007, without further notice.


JUDGE

John C. Martin
Assistant United States
Attorney
U.S. District Courthouse
Room 2838
Washington, D.C. 20001

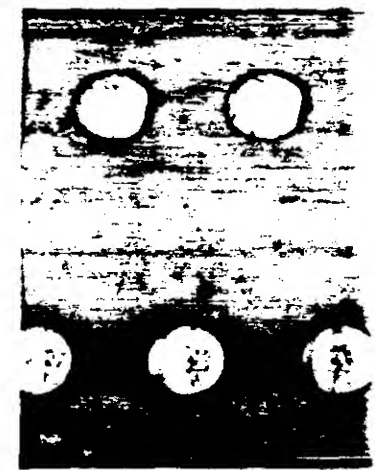
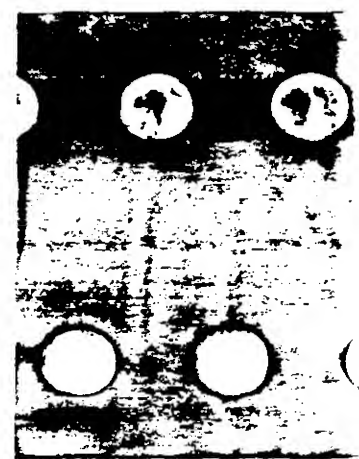
John A. Dito
Buchalter, Nemer, Fields,
Chrystie & Younger
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Los Angeles, California 90017

Michael Silverberg
Phillips, Nizer, Benjamin,
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Federal Bureau of
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10th & Pennsylvania Avenue,
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W. Toliver Basson
Paul A. Zevnik
Paul, Hastings, Janofsky &
Walker
1050 Thomas Jefferson Street,
N.W.
Sixth Floor
Washington, D.C. 20007



UPPERIOR COURT OF THE DISTRICT
OF COLUMBIA

RANCHEO LacOSTA, et al., :
Plaintiffs, : Misc. 164-80
v. :
PENTHOUSE INTERNATIONAL, et al., :
Defendants. :

O R D E R

Upon consideration of the Commission issued by the Superior Court of California, County of Los Angeles and it appearing to the Court that the Commission is in proper order, and

Upon consideration of the request of the Federal Bureau of Investigation for a protective order, it is by the Court this 17 day of April, 1981

ORDERED, that pursuant to 14 D.C. Code 103 leave is granted to defendants Penthouse International, et al., to take the deposition of such person designated by the Federal Bureau of Investigation as its custodian of records and that subject to the exceptions set forth below, said individual will produce at the time of his deposition ²⁴⁷ ~~prior thereto~~, the documents requested by defendants and described in paragraphs 1-30 of the subpoena previously issued and approved by this Court on December 1, 1980, and in Exhibit A to the letter of January 12, 1981, clarifying the items requested by paragraph 31 of Attachment A to the subpoena issued by this Court (Hereinafter, the "Subpoena") and it is

FURTHER ORDERED, that the Federal Bureau of Investigation shall not be required to disclose and may redact the documents involved herein to delete names of confidential sources of information, information which would tend to identify confidential sources of information, information the release of which would interfere with ongoing criminal law enforcement investigations, and information

EXHIBIT A

prohibited from disclosure pursuant to 28 C.F.R. 16.32 (1980).

FURTHER ORDERED, that all information contained in the documents subject to the Subpoena which is not withheld pursuant to the above paragraph but which is subject to the provisions of the Privacy Act, 5 U.S.C. 552a et seq., is hereby ordered to be disclosed.

James A. Berman

JOHN C. MARTIN
Assistant United States Attorney
U.S. District Courthouse
Room 2838
Washington, D.C. 20001
(202) 633-5318

W. TOLIVER BESSON
Paul, Hastings, Janofsky and Walker
Sixth Floor
1050 Thomas Jefferson Street, N.W.
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JOHN A. DITO, ESQUIRE
Buchalter, Nemer, Fields,
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700 South Flower Street
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Krim & Ballou
40 West 57th Street
New York, New York 10019

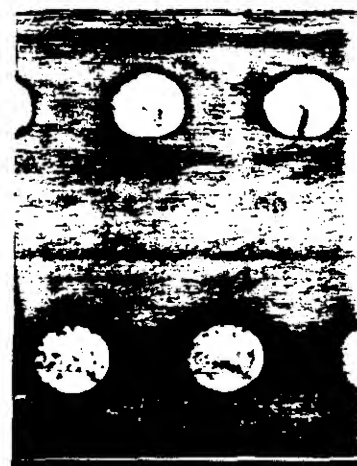
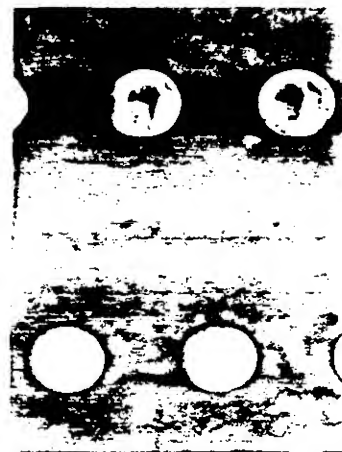
ATRUEROOPY

TEST: APR 24 1981

THOMAS A. DUCKENFIELD

Clerk, Superior Court of
the District of Columbia

By *William J. Brown*
Deputy Clerk



SUPERIOR COURT OF THE DISTRICT OF COLUMBIA
Civil Division

RANCHO LA COSTA, et al., :
Plaintiffs, :
v. : Misc. No. 164-80
PENTHOUSE INTERNATIONAL, LTD., et al., :
Defendants :

ORDER

This action is before the Court upon the motion of plaintiffs to vacate the subpoena issued by the Court on December 1, 1980, and its order of April 24, 1981, both of which relate to the proposed deposition of the custodian of the records of the Federal Bureau of Investigation. Defendants seek to take that deposition in the District of Columbia pursuant to commission issued by the Superior Court for Los Angeles County, California.

For reasons set forth below this Court will stay the proceedings pending consideration by the originating court of questions relating to the scope of the deposition, allegations of violation of the Privacy Act, 5 U.S.C. (1976) §552a, and plaintiffs' request for a protective order relating to the use of the materials to be produced by the records custodian (made informally before this Court in the affidavit of Thomas G. Jackson, May 13, 1981, at page 4).

Since many of the arguments raised by plaintiffs are insubstantial, this Court will address several of them at this time for the purpose of expediting matters in the event there are further proceedings in this Court.

Plaintiffs have objected to the ex parte nature of earlier proceedings in this Court. The procedures followed by defendants to obtain the subpoena and order were customary and proper. Subpoenas, including those which relate to depositions taken upon commissions issued by foreign courts,

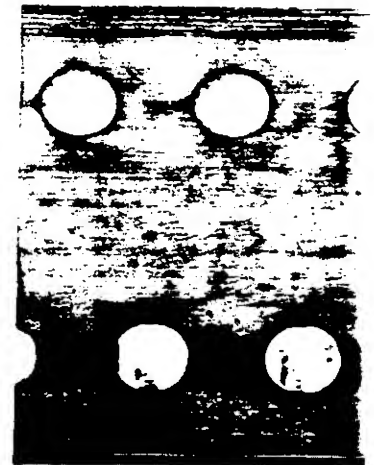
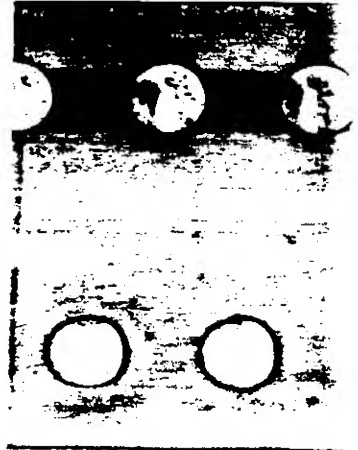
EXHIBIT B

are customarily sought and issued ex parte. Likewise, an application for an order entered with the consent of deponent limiting the scope of a previously authorized subpoena was appropriately made in the same manner. The Court notes, however, that it directed counsel for the United States to mail copies of the order of April 24, 1981, to plaintiffs' counsel, and that there was unnecessary delay in that mailing.

Subpoenas duces tecum routinely issue in connection with depositions taken pursuant to commissions of foreign courts. Indeed, it would be extremely difficult to take the deposition of an out-of-state records custodian in connection with a trial pending in a state court if such subpoenas were not available.

Furthermore, this Court routinely issues subpoenas for federal employees for deposition and trial appearances. The amenability of the federal government to suit appears not to be involved here. The Court is confident that the United States Attorney would raise an objection if the subpoena involved here were beyond the jurisdiction of this Court. Plaintiffs appear to lack standing to raise that matter.

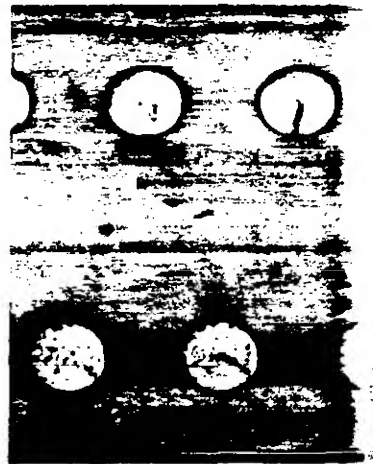
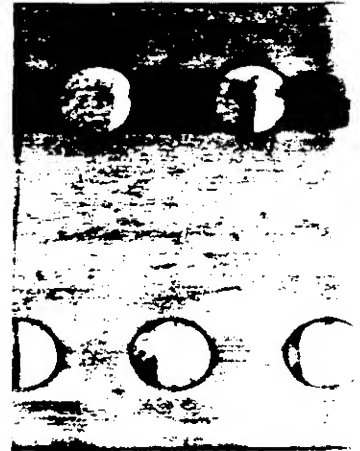
It is clear that the California court intended its commission to authorize production of all the items numbered 1 through 30 referred to in Exhibit A to the declaration of Kent Farnsworth, executed on the 30th day of October, 1980, and submitted in connection with the motion in the California court for issuance of the commission. The California court found that good cause appeared for the taking of the requested deposition of the custodian of the records referred to in the papers submitted to it. Thus, the order of the California court dated November 21, 1980, considered in conjunction with the commission issued pursuant to that order, clearly serves as the basis for issuance of a subpoena duces tecum relating to those 30 items.



However, the same cannot be said with respect to items 31 through 54, as described in Exhibit A to Mr. Farnsworth's letter of January 12, 1981, addressed to Dennis Hoffman, Esq. The California court never passed on the question whether good cause was shown for the taking of the deposition of the custodian of such additional materials.

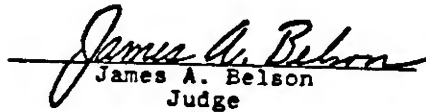
Rather than proceed piecemeal with the taking of the deposition in this jurisdiction, it appears more appropriate that the matter be resubmitted to the California court for consideration of the question whether good cause has been shown for the taking of the deposition of the custodian of items 31 through 54 and the issuance of a subpoena duces tecum for that purpose.

It also seems appropriate that the originating court should decide any request of plaintiffs for a protective order regarding the treatment by defendants of information received pursuant to the discovery in question, if such relief is sought. Furthermore, plaintiffs have raised questions concerning the application of the Privacy Act, supra, to defendants' request for information from the FBI files. Plaintiffs contend inter alia that defendants should not be permitted to legitimize through the deposition procedure their allegedly improper acquisition of detailed information from FBI files in violation of the Privacy Act, and that the Privacy Act's requirement of an order of a court of competent jurisdiction as a basis for release of materials from FBI files is not properly met by the procedure of issuance of a subpoena duces tecum which is later amended with deponent's consent by a limiting court order. It appears far more appropriate that such claims should be considered by a court which is intimately familiar with the litigation rather than by a court which is serving in an ancillary capacity.



Accordingly, it is by the Court this 9th day of
July, 1981

ORDERED, that this action be, and it is hereby,
stayed pending submission to the originating court of the
issues identified herein.


James A. Belson
Judge

Copies mailed this ____ day
of July, 1981 to:

Loren Kieve, Esq.
1250 Connecticut Avenue, N.W.
Washington, DC 20036

W. Toliver Besson, Esq.
1050 Thomas Jefferson Street
Washington, DC 20007

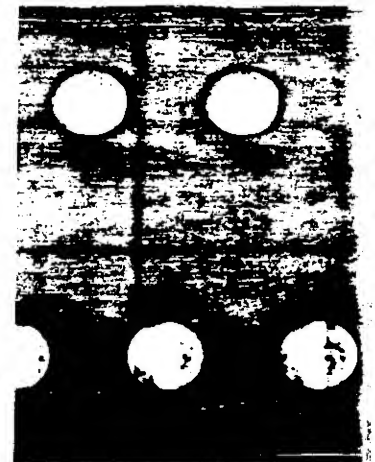
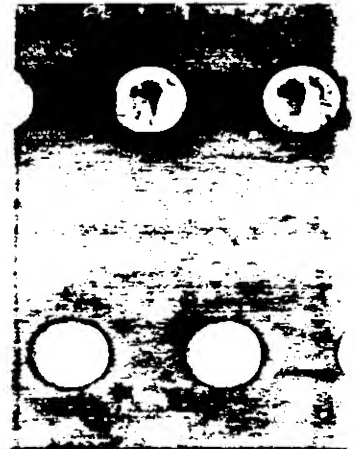
John C. Martin, Esq.
Assistant U.S. Attorney
U.S. Court House
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Washington, DC 20001

Michael Silverberg, Esq.
40 West 57th Street
New York, New York 10019

Kent Farnsworth, Esq.
555 South Flower Street
Los Angeles, California 90071

Grutman & Schafrann
505 Park Avenue
New York, New York 10022

Hon. George M. Dell
Superior Court of the
State of California
c/o Clerk of the Court
Los Angeles, California



1 PAUL, HASTINGS, JANOFSKY & WALKER
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3 Twenty-Second Floor
4 Los Angeles, California (213) 489-4000

5 GRUTMAN & MILLER
6 505 Park Avenue
7 New York, New York 10022
8 (212) 888-1900

9 Attorneys for Defendants
10 Penthouse International, Ltd. and
11 Robert C. Guccione

ORIGINAL FILED

JUL 21, 1981

COUNTY CLERK

12 SUPERIOR COURT OF THE STATE OF CALIFORNIA
13 FOR THE COUNTY OF LOS ANGELES

14 RANCHO LA COSTA, et al.,

15 Plaintiffs,

16 vs.

17 PENTHOUSE INTERNATIONAL, LTD.,
18 etc., et al.

19 Defendants.

CASE NO. C 124 901

ORDER CONFIRMING PRODUCTION
OF DOCUMENTS AT DEPOSITION
OF FBI CUSTODIAN OF RECORDS

20 The motion of defendants Penthouse International,
21 Ltd. and Robert C. Guccione for an order confirming the production
22 of documents at the deposition of the Federal Bureau of
23 Investigation's ("FBI") custodian of records, and the motion of
24 plaintiffs Merv Adelson, Irwin Molasky, Rancho La Costa, Inc.,
25 the La Costa Land Company, the La Costa Management Company, La
26 Costa Community Antenna System, Inc., and Paradise Homes,
27 Inc. for a protective order in connection with that same depo-
28 sition came on regularly for hearing on July 17, 1981, in Depart-
ment "E" of the above-entitled Court, the Honorable George M. Dell,

1 Judge presiding. Michael J. Silverberg, John A. Dito and
2 Thomas R. Jackson appeared as attorneys for plaintiffs and
3 Norman Roy Grutman, Geoffrey L. Thomas, Carl W. Shapiro and
4 Kent Farnsworth appeared as attorneys for defendants. After
5 full consideration of moving and responding papers, all supporting
6 papers and the oral argument of counsel, and with particular
7 attention to the issues raised by the Honorable James A. Belson,
8 Judge of the Superior Court of the District of Columbia in his
9 order dated July 9, 1981, IT IS HEREBY ORDERED THAT:

10
11 1. Defendants' motion is granted. The Court further
12 rules, and advises Judge Belson, that:

13
14 (a) Defendants have previously demonstrated to
15 this Court good cause for the taking of a deposition
16 of the Custodian of Records of the Federal Bureau of
17 Investigation pursuant to a subpoena duces tecum, and
18 for the production of FBI records relevant to the
19 subject lawsuit at such deposition;

20
21 (b) While defendants' earlier showing of good
22 cause for such a deposition was supported by specifying
23 the identity of some 30 documents believed to be
24 in the possession or custody of the FBI, the order
25 of this Court finding good cause for the issuance of
26 a Commission was not intended to restrict the scope
27 of the contemplated deposition to the production
28 of these 30 items, and the Commission issued by

1 this Court was not intended to limit in any
2 way the scope of a subpoena duces tecum to be
3 issued by the courts of the District of Columbia;
4

5 (c) The good cause previously found by this
6 Court for the taking of the subject deposition includes
7 good cause for the production of items 31 through 54,
8 and the issuance of a subpoena duces tecum for that
9 purpose.
10

11 2. Plaintiffs' motion for a protective order is denied.
12 All of the objections to the deposition of the FBI's custodian of
13 records raised by plaintiffs in their pleadings and at oral
14 argument are overruled. Plaintiffs have waived their purported
15 "privacy rights" in relevant documents in the possession or
16 under the custody of the FBI by bringing the subject lawsuit,
17 and plaintiffs cannot raise alleged violations of the Privacy
18 Act to prevent the discovery of such documents.
19

20 Dated: July 21, 1981.

21 *George M. Dell*
22

23 Honorable George M. Dell
24 Superior Court Judge
25
26
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EXHIBIT D

1. Report of Special Agent W. ALBERT STEWART, JR., dated April 19, 1958, at Salt Lake City, entitled "MORRIS B. DALITZ, Anti-Racketeering."
2. Airtel from Los Angeles to Director, FBI, dated February 14, 1961, entitled "MORRIS B. DALITZ, Anti-Racketeering."
3. Letter from Director, FBI, to Special Agent in charge, Las Vegas, dated June 22, 1961, entitled "MORRIS B. DALITZ, Anti-Racketeering."
4. Chicago airtels to Director, FBI, dated January 10, 1961, and January 11, 1961, entitled "Criminal Intelligence Program, Chicago Division, Anti-Racketeering."
5. Chicago airtel to Las Vegas dated July 14, 1961, entitled "MORRIS B. DALITZ, Anti-Racketeering."
6. Airtel to Director, FBI from Las Vegas dated August 3, 1961, entitled "MORRIS B. DALITZ, Anti-Racketeering."
7. Special Summary Report of R. BURN TOOLSON dated August 11, 1961, at Las Vegas, entitled "MORRIS B. DALITZ, Anti-Racketeering."

EXHIBIT D

8. Identification Record of MORRIS B. DALITZ
under FBI No. 4 124 252.

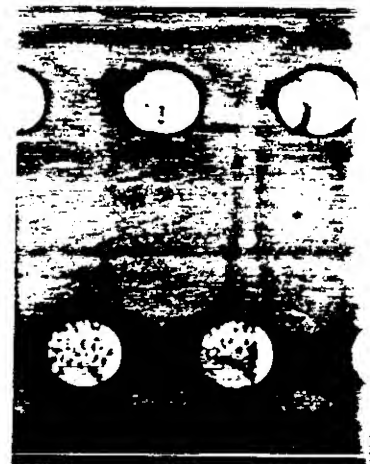
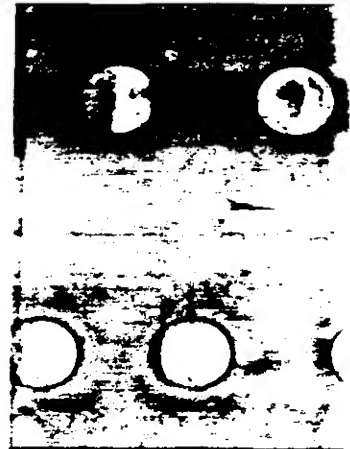
9. Report of Special Agent JOHN W. ROBERTS, JR. dated
August 31, 1962, at Chicago entitled "UNKNOWN SUBJECTS,
Interstate Transportation of Stolen Funds from Nevada
Gaming Casinos."

10. San Diego airtel to Director, FBI, dated February
24, 1965, entitled "Rancho La Costa, Inc.; Star
Investment Co.; Lofty, Inc.; Planet, Inc. and Bagshaw,
Inc. of Las Vegas. Firms Headed by Mervyn Adelson,
Anti-Racketeering."

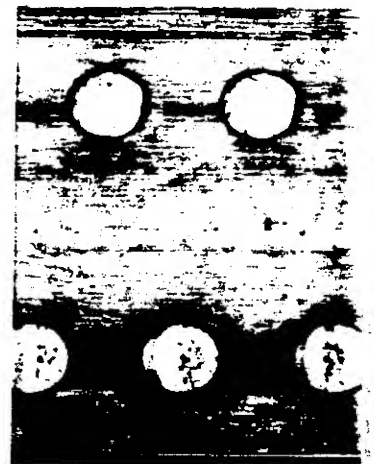
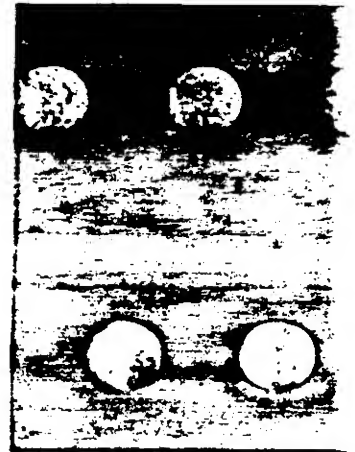
11. Report of Special Agent JIMMY D. CLOOS dated
March 23, 1965, at San Diego, California, entitled
"Rancho La Costa, Inc.; Star Investment Co., Lofty,
Inc., Planet, Inc. and Bagshaw, Inc. of Las Vegas,
Firms Headed by Mervyn Adelson."

12. San Diego airtel to Director dated November 5, 1965,
entitled "Rancho La Costa, Inc., ET AL., Anti-
Racketeering."

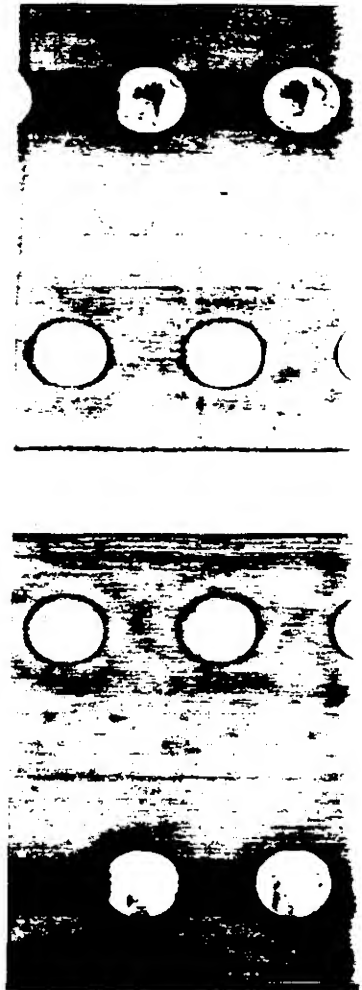
13. San Diego airtel to Director, FBI, dated October
15, 1968, entitled "Rancho La Costa, Inc., ET AL, Anti-
Racketeering."



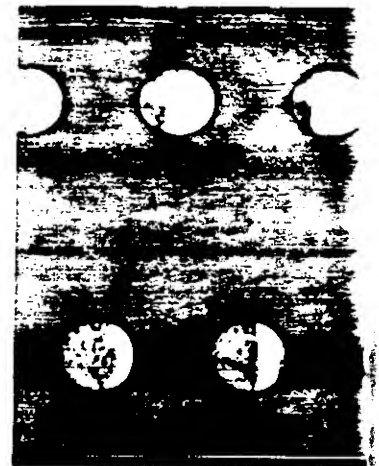
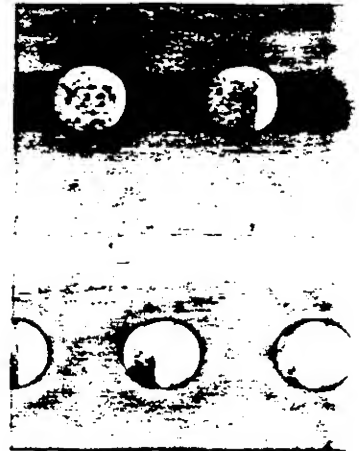
14. San Diego airtel to Director dated January 4, 1966, entitled "Rancho La Costa, Inc., Star Investment Co., Lofty, Inc., Planet, Inc. and Bagshaw, Inc. of Las Vegas. Firms Headed by Mervyn Adelson."
15. Report of Special Agent KENNETH A. VARDELL dated December 21, 1967, at San Diego, entitled "Rancho La Costa, Inc., Star Investment Co., Lofty, Inc., Planet, Inc., Bagshaw, Inc. of Las Vegas, Firms Headed by Mervyn Adelson."
16. San Diego teletype to Director dated July 16, 1968, entitled "Rancho La Costa, Inc., ET AL, Anti-Racheteering."
17. Report of Special Agent FRANKLIN J. WALLS dated October 25, 1968, at San Diego, entitled "Rancho La Costa, Inc., ET AL."
18. Report of Special Agent FRANKLIN J. WALLS dated March 28, 1968, at San Diego, entitled "Rancho La Costa, Inc., ET AL."
19. Report of Special Agent FRANKLIN J. WALLS dated November 23, 1970 at San Diego, entitled "Rancho La Costa, Inc., ET AL."



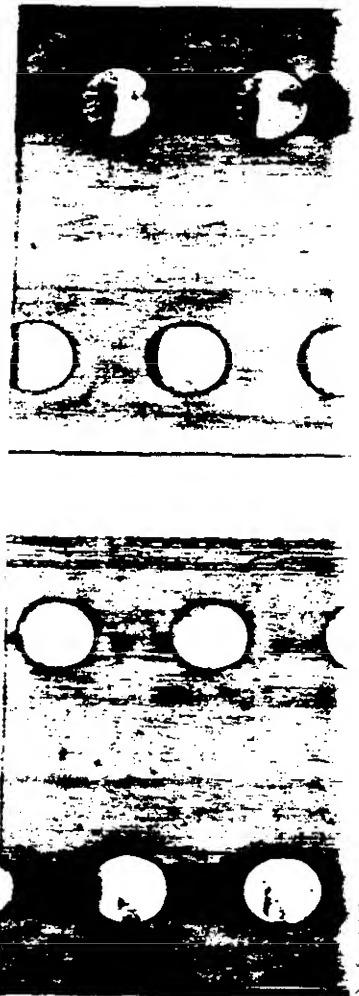
20. Report of Special Agent FRANKLIN J. WALLS dated February 18, 1971, at San Diego, entitled "Rancho La Costa, Inc., ET AL."
21. Report of Special Agent FRANKLIN J. WALLS dated August 21, 1973, at San Diego, entitled "Rancho La Costa, Inc., ET AL."
22. Report of Special Agent NICHOLAS J. LORE dated March 29, 1974, at San Diego, entitled "Rancho La Costa, Inc., ET AL."
23. Report of Special Agent NICHOLAS J. LORE dated October 2, 1974, at San Diego, entitled "Rancho La Costa, Inc., ET AL."
24. Report of Special Agent NICHOLAS J. LORE dated May 14, 1975, at San Diego, entitled "Rancho La Costa, Inc., ET AL."
25. Report of Special Agent NICHOLAS J. LORE dated October 22, 1975, at San Diego, entitled "Rancho La Costa, Inc., ET AL."
26. Report on San Diego file number SD 92-398, undated, entitled "A History of the Las Vegas Group Behind the Rancho La Costa Operation."



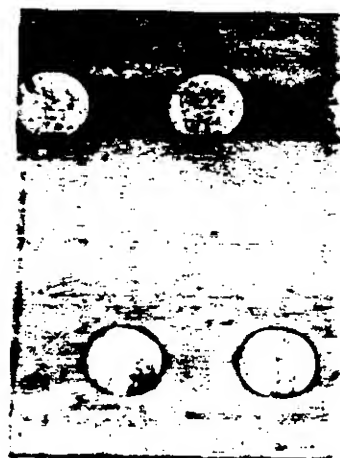
27. Title III transcript of conversation in Kansas City between NICK CIVELLA and others on November 26, 1978, concerning MORRIS B. DALITZ.
28. Title III transcripts in Chicago in case entitled "PENDORF" during 1979-80 and the 18 affidavits utilized in that investigation.
29. Title III transcripts in Las Vegas in case entitled "PENDORF" during 1979-80 and the affidavits utilized in that investigation.
30. Title III transcripts in Milwaukee in case entitled "PENDORF" during 1979-80 and the affidavits utilized in that investigation.
31. Airtel from SAC, San Diego to SAC, Los Angeles, dated February 23, 1965 regarding Planet, Inc. & Bagshaw, Inc. of Las Vegas, firms headed by Mervyn Adelson, AR, Los Angeles File # 92-1876, San Diego File # 92-398(P).
32. Airtel from SAC, Las Vegas to SAC, San Diego dated March 15, 1965 regarding Rancho La Costa, Inc., et al., Anti-Racketeering Los Angeles File # 92-1876; Las Vegas File # 92-1518(P).
33. Airtel from SAC, Los Angeles to SAC, Sacramento dated January 16, 1968 regarding Rancho La Costa, Inc. and other firms headed by Mervyn Adelson and visits of Barbara Ellen Rodgers to La Costa, Los Angeles File # 92-1876.



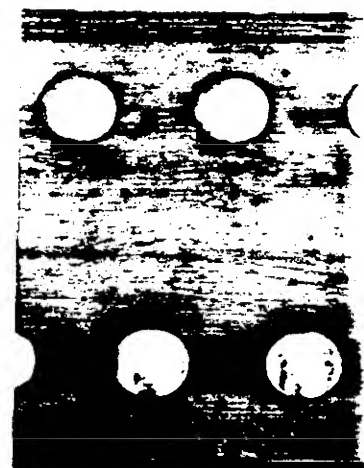
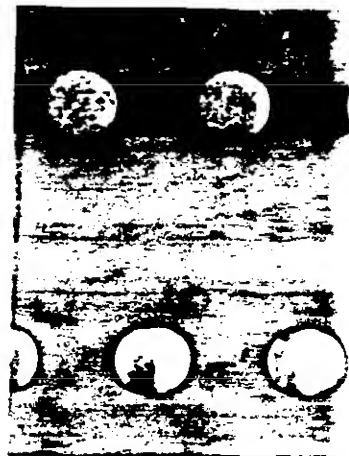
34. Airtel from SAC, Los Angeles to SAC, San Diego dated January 22, 1968, regarding Rancho La Costa, Inc. and other firms headed by Mervyn Adelson and visits of Barbara Ellen Rodgers to La Costa, Los Angeles File # 92-1876(P), San Diego File # 92-398.
35. Memorandum from SAC, Los Angeles to SAC, San Diego dated March 7, 1968, Bureau File # 92-8197, regarding Rancho La Costa, Inc. and other firms headed by Mervyn Adelson, visits of Bill Worthing to La Costa.
36. Report of SA FRANKLIN J. WALLS to U.S. Attorney in San Diego dated October 25, 1968 entitled "Rancho La Costa, Incorporated, et al., Anti-Racketeering." Bureau File #92-8197.
37. Report of SA FRANKLIN J. WALLS to U.S. Attorney in San Diego dated January 21, 1969, entitled "Rancho La Costa, Incorporated, et al., Anti-Racketeering." Bureau File # 92-8197.
38. Report of SA FRANKLIN J. WALLS to U.S. Attorney in San Diego dated March 28, 1969, entitled "Rancho La Costa, Inc., et al., Anti-Racketeering," Bureau File # 92-8197.
39. Airtel from SAC, San Diego to SAC, Los Angeles dated April 24, 1969, regarding arrest of Ralph Wolf on bookmaking charge, Los Angeles, File # 92-1876.
40. Airtel from SAC, San Diego, to SAC, Los Angeles dated July 18, 1969, regarding visitors to Rancho La Costa.



41. Summary Memorandum dated July 18, 1969, (perhaps attached to above-mentioned Airtel) concerning background of persons at Rancho La Costa, Los Angeles File # 92-1876.
42. Memorandum from SAC Los Angeles to SAC San Diego dated September 30, 1969, Los Angeles File # 92-1876 (RUC), San Diego File # 92-398, regarding Judith E. Campbell.
43. Report of Special Agent FRANKLIN J. WALLS dated December 15, 1969, at San Diego, entitled "Rancho La Costa Incorporated, Anti-Racketeering," in Bureau File # 92-8197, San Diego File # 92-398.
44. Memorandum from Supv. JAMES M. POWERS to SAC, Los Angeles dated February 12, 1970 concerning "Rancho La Costa, Inc., et al., AR" and Jerry Dunphy, a television newsman, Los Angeles File # 92-1876.
45. Report of Special Agent FRANKLIN J. WALLS dated April 9, 1970, at San Diego, entitled "Rancho La Costa Incorporated, et al., Anti Racketeering" in Bureau File # 92-8196, San Diego File # 92-398.
46. Airtel from SAC, San Diego to SAC, Chicago entitled "Rancho La Costa, Inc., et al., AR" in San Diego File # 92-398 (P), Los Angeles File # 92-1876 (info).

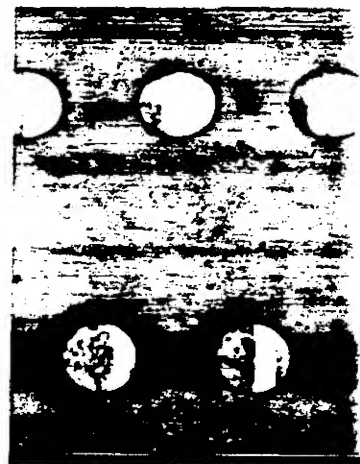
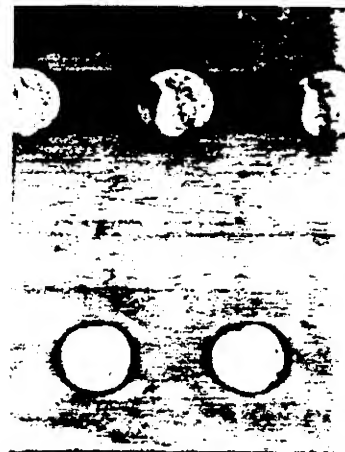


47. Airtel from SAC San Diego to Bureau dat September 20, 1971, regarding participants in Frank Fitzsimmons Invitational Golf Tournament, San Diego File # 92-New.
48. Memorandum from SAC, Los Angeles to SAC, San Diego dated November 12, 1971, Los Angeles File # 92-1876, regarding Frank Fitzsimmons Invitational Golf Tournament as described in above-mentioned San Diego airtel to Bureau dated September 20, 1971.
49. Teletype to Los Angeles from San Diego dated June 14, 1975, regarding Rancho La Costa, Inc., et al., AR, San Diego File # 92-398.
50. Teletype to San Diego from Los Angeles dated June 17, 1975, regarding Rancho La Costa, Incorporated, et al., AR, San Diego File # 92-398.
51. Airtel from SAC, San Diego to SAC, Las Vegas dated July 14, 1975 regarding Rancho La Costa, Inc., et al., AR, Las Vegas File # 92-4897, San Diego File # 92-398(P).
52. Memorandum from Acting ADIC, Los Angeles to SAC, San Diego, dated October 14, 1975, regarding Rancho La Costa, Inc., et al., AR, Los Angeles File # 92-1876.



53. Memorandum from Acting ADIC, Los Angeles to Director dated August 6, 1976 regarding Crime Prevention Publicity Campaign, Lorimar Productions, Bureau File of Executive Assistant John C. Coleman, LA File # 92-1876.

54. Memorandum from SA ROBERT A. LEVNSON to SAC, Los Angeles dated May 17, 1977 regarding La Costa Country Club, AR, Los Angeles File # 92-1876, or 92-5329.



**FEDERAL BUREAU
OF INVESTIGATION**
**FREEDOM OF INFORMATION/PRIVACY ACTS
RELEASE**

SUBJECT: MORRIS B. DALITZ

FILE: 197-2350 Section 3

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XXXXXXFEDERAL BUREAU OF INVESTIGATION
FOIPA DELETED PAGE INFORMATION SHEET

1 Page(s) withheld entirely at this location in the file. One or more of the following statements, where indicated, explain this deletion.

☒ Deletions were made pursuant to the exemptions indicated below with no segregable material available for release to you.

Section 552Section 552a☐ (b)(1)☐ (b)(7)(A)☐ (d)(5)☐ (b)(2)☐ (b)(7)(B)☐ (j)(2)☐ (b)(3)☐ (b)(7)(C)☐ (k)(1)☐ (b)(7)(D)☐ (k)(2)☐ (b)(7)(E)☐ (k)(3)☐ (b)(7)(F)☐ (k)(4)☐ (b)(4)☐ (b)(8)☐ (k)(5)☒ (b)(5)☐ (b)(9)☐ (k)(6)☒ (b)(6)☐ (k)(7)

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☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - 17 (Court Reporter's letter dated 8/5/11)

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☐ For your information:

☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - 18 (HQ letter dated 8/20/81)

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Section 552Section 552a☐ (b)(1)☐ (b)(7)(A)☐ (d)(5)☐ (b)(2)☐ (b)(7)(B)☐ (j)(2)☐ (b)(3)☐ (b)(7)(C)☐ (k)(1)☐ (b)(7)(D)☐ (k)(2)☐ (b)(7)(E)☐ (k)(3)☐ (b)(7)(F)☐ (k)(4)☐ (b)(4)☐ (b)(8)☐ (k)(5)☐ (b)(5)☐ (b)(9)☐ (k)(6)☐ (b)(6)☐ (k)(7)

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Page(s) withheld for the following reason(s):

Public Source -
Court Documents

☒ For your information: Defendant's Motion for Order Vacating Stay +
Setting Date for Deposition + Production of Documents at Deposition

- ☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - Not Rerendered

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FOIPA DELETED PAGE INFORMATION SHEET

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Section 552Section 552a☐ (b)(1)☐ (b)(7)(A)☐ (d)(5)☐ (b)(2)☐ (b)(7)(B)☐ (j)(2)☐ (b)(3)☐ (b)(7)(C)☐ (k)(1)☐ (b)(7)(D)☐ (k)(2)☐ (b)(7)(E)☐ (k)(3)☐ (b)(7)(F)☐ (k)(4)☐ (b)(4)☐ (b)(8)☐ (k)(5)☐ (b)(5)☐ (b)(9)☐ (k)(6)☐ (b)(6)☐ (k)(7)

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51 Page(s) withheld for the following reason(s): Public Source -
Court Documents

☒ For your information: Defendant's Memorandum in Support of
preceding Motion + Exhibits

- ☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - Not Recorded - attachment

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FOIPA DELETED PAGE INFORMATION SHEET**

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Section 552

Section 552a

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☐ (b)(7)(A)

☐ (d)(5)

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☐ (j)(2)

☐ (b)(3)

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215

Page(s) withheld for the following reason(s): Public Source -
Court Documents

- ☒ For your information: Defendant's Appendix in Support of
preceding motion + Exhibits

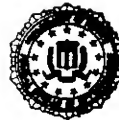
- ☒ The following number is to be used for reference regarding these pages:

HQ 197 - 2350 - Not Recorded

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Memorandum



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Exec AD Inv. _____
Exec AD LES _____
Asst. Dir.: _____
Adm. Servs. _____
Crim. Inv. _____
Ident. _____
Intell. _____
Laboratory _____
Legal Coun. _____
Plan. & Insp. _____
Rec. Mgmt. _____
Tech. Servs. _____
Training _____
Off. of Cong. & Public Affs. _____
Telephone Rm. _____
Director's Sec'y _____

To : Mr. Finzel

Date 10/16/81

From : L. E. Dean

Subject : RANCHO LaCOSTA, etc., et al., v.
PENTHOUSE INTERNATIONAL, LTD., etc., et al.
(SUPER. CT., CAL. LA COUNTY)
CIVIL ACTION NO. C 123901

PURPOSE To request that Records Services Section file the attached excised material concerning captioned litigation as an enclosure to this memorandum.

RECOMMENDATION: That Records Services Section file instant memorandum and file the attached documents as an enclosure behind this memorandum.

APPROVED:

Adm. Servs. _____

Laboratory _____

Director _____

Exec. AD _____

Exec. AD-LES _____

DETAILS: By memorandum from Legal Counsel Division (LCD) to Director, Criminal Investigative Division, copy to Records Management Division (RMD), dated 12/9/80, and memorandum from LCD to RMD, dated 2/10/81, Civil Discovery Review Unit #2 (CDRU-2) was requested to provide certain documents to the defendants in captioned litigation. Material was subsequently excised by CDRU-2 under prescribed guidelines and released to defendants. The attached material is comprised of 12 volumes of excised documents maintained by CDRU-2.

Enclosure

- 1 - Mr. Mintz (Attn: Mr. Hoffman)
1 - Mr. Finzel
1 - Mr. Dean
1 - Mr. [REDACTED]
1 - Mr. [REDACTED]
1 - Mr. [REDACTED]

(7)

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197-2350-19

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Section 552Section 552a☐ (b)(1)☐ (b)(7)(A)☐ (d)(5)☐ (b)(2)☐ (b)(7)(B)☐ (j)(2)☐ (b)(3)☒ (b)(7)(C)☐ (k)(1)☒ (b)(7)(D)☐ (k)(2)☐ (b)(7)(E)☐ (k)(3)☐ (b)(7)(F)☐ (k)(4)☐ (b)(4)☐ (b)(8)☐ (k)(5)☒ (b)(5)☐ (b)(9)☐ (k)(6)☐ (b)(6)☐ (k)(7)

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HQ 197 - 2350 - 19 enclosure

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Transmit attached by Facsimile - UNCLAS

RECEIVED
TELETYPE UNIT

Precedence ROUTINE

Exec. AD-Adm.	
Exec. AD-Inv.	
Exec. AD-LES	
Asst. Dir.:	
Adm. Servs.	
Crim. Inv.	
Ident.	
Inspection	
Intell.	
Laboratory	
Legal Coun.	
Rec. Mgmt.	
Tech. Servs.	
Training	
Off. of Cong. & Public Affs.	
Telephone Rm.	
Director's Sec'y	

To: DIRECTOR, FBI

11 FEB 82 01 23 2/10/82

From: [REDACTED]

FEDERAL BUREAU OF INVESTIGATION

From: S.A.C., LOS ANGELES (197-187)

Subject: RANCHO LA COSTA

PENTHOUSE INTERNATIONAL LTD.

☐ Fingerprint Photo ☐ Fingerprint Record ☐ Map ☐ Newspaper clipping ☐ Photograph
☐ Artists Conception ☒ Other SUBPENA REC'D 3:45 2/10/82

Special handling instructions:

PLEASE ROUTE ON TL # 213

Approved: [Signature]

15 MAR 2 1982

LEGAL COUNSEL

66 APR 5 1982

197-2350-20

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Section 552Section 552a☐ (b)(1)☐ (b)(7)(A)☐ (d)(5)☐ (b)(2)☐ (b)(7)(B)☐ (j)(2)☐ (b)(3)☐ (b)(7)(C)☐ (k)(1)☐ (b)(7)(D)☐ (k)(2)☐ (b)(7)(E)☐ (k)(3)☐ (b)(7)(F)☐ (k)(4)☐ (b)(4)☐ (b)(8)☐ (k)(5)☐ (b)(5)☐ (b)(9)☐ (k)(6)☐ (b)(6)☐ (k)(7)

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2 Page(s) withheld for the following reason(s): Public Source -
Court Documents

☒ For your information: Defendant's Application for Subpoena Duces
Tecum

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Declaration of FBI Special Agent

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FM LOS ANGELES (197-187) (LEGAL UNIT) (P)

TO DIRECTOR PRIORITY

LAS VEGAS PRIORITY

BT b6

UNCLAS

ATTN: RECORDS MANAGEMENT DIVISION AND LEGAL COUNSEL
DIVISION, CIVIL LITIGATION UNIT II

ATTN: LAS VEGAS SUPERVISOR [REDACTED]

RANCHO LA COSTA, ET., ET AL, PLAINTIFF, VS. PENTHOUSE
INTERNATIONAL, LTD., ETC., ET AL, DEFENDANTS, LOS ANGELES
SUPERIOR COURT CASE NUMBER C 124 901.

ON MARCH 1, 1982, ATTORNEYS FOR THE PLAINTIFF SERVED AN
EX PARTE ORDER ON THE LOS ANGELES CUSTODIAN OF RECORDS CALLING
FOR TAPES, ETC., RELATING TO A LAS VEGAS TITLE III BEGINNING
MARCH 29, 1978, ON TELEPHONE NUMBERS (702) 386-5052, (702)
386-5053, (702) 736-7597, AND (702) 736-4795, AND FOR TAPES,
ETC., RELATING TO AN ELSUR BEGINNING APRIL 19, 1978, AT THE
GOLD RUSH, LTD., 228 WEST SAHARA, LAS VEGAS.

68 APR 1 1982
PER DAVE SIMMONSON TO [REDACTED]
ON 3/3/82, ASAC BAKER
JAMES WILL APPEAR 3/14/82
AND ADVISE COURT THAT [REDACTED]

LA ADVISED
3/14/82

Exec. AD-Adm.	
Exec. AD-Inv.	
Exec. AD-LES	
Asst. Dir.:	
Adm. Servs.	
Crim. Inv.	
Ident.	
Inspection	
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Tech. Servs.	
Training	
Telephone Rm.	
Director's Sec'y	

7 MAR 5 1982

PAGE TWO UNCLAS LA 19 87

A LOS ANGELES ELSUR SEARCH CONDUCTED MARCH 1, 1982, ON THE ABOVE WAS NEGATIVE. A DECLARATION SIGNED BY SENIOR ASAC [REDACTED] AS CUSTODIAN OF RECORDS STATING THAT A SEARCH HAD BEEN CONDUCTED AND NO RECORD EXISTED IN THE LOS ANGELES OFFICE WAS PREPARED AND PROVIDED TO JUDGE KENNETH GALE. AT AN IN-CAMERA HEARING CONDUCTED MARCH 2, 1982, AUSA WILLIAM JAMES, LOS ANGELES, ASAC BAKER AND FBI LEGAL ADVISER ARGUED [REDACTED] b

[illegible]

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XXXXXXFEDERAL BUREAU OF INVESTIGATION
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FM LOS ANGELES (197-187)(LEGAL UNIT)(P)

TO DIRECTOR ROUTINE

AS VEGAS ROUTINE

BT

UNCLAS

ATTENTION: CIVIL LITIGATION UNIT II.

ATTENTION: LAS VEGAS SUPERVISOR [REDACTED]

RANCHO LA COSTA, ET., ET AL. PLAINTIFF, V. PENTHOUSE

INTERNATIONAL, LTD., ETC., ET AL, DEFENDANTS, LOS ANGELES

SUPERIOR COURT CASE NO. C124 901.

RE LOS ANGELES TELETYPE MARCH 2, 1982, AND MARCH 4, 1982

TELCALLS BETWEEN FBIHQ, LAS VEGAS AND LOS ANGELES LEGAL UNIT.

ON MARCH 4, 1982, ASAC [REDACTED] APPEARED IN
JUDGE'S CHAMBERS WHERE HE EXPLAINED FOR THE RECORD THAT

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

60 APR 20 1982

RECEIVED
TELETYPE UNIT

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FEDERAL BUREAU
OF INVESTIGATION

Exec. AD-Adm.
Exec. AD-Inv.
Exec. AD-LES
Asst. Dir.:

Inspection
Intell.
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**FEDERAL BUREAU OF INVESTIGATION
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Memorandum



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Training _____
Public Affs. Off. _____
Telephone Rm. _____
Director's Sec'y _____

To : The Director

Date 2/25/82

From : Legal Counsel *[Signature]*

Subject : RANCHO LA COSTA, etc., et al., v.
PENTHOUSE INTERNATIONAL, LTD., et al.
(SUPERIOR COURT OF THE STATE OF CALIFORNIA, LOS ANGELES
COUNTY)
CIVIL ACTION NO. C 124 901

PURPOSE: To set forth pertinent background information and advise of contacts by plaintiffs' counsel, a former FBI official and the news media concerning production of FBI documents to defendants in captioned matter.

SYNOPSIS: Captioned litigation is a libel action against Penthouse magazine by Rancho La Costa, its subsidiaries and individuals affiliated with it. Plaintiffs seek \$630,000,000.00 in damages alleging that in 1975 a Penthouse article falsely suggested that plaintiffs are "criminals" and "mobsters".

b6
In 12/80 we were served with a Subpoena for Deposition issued by the Superior Court of the District of Columbia, commanding the appearance at the deposition of an FBI official or designee to produce FBI documents enumerated in an attachment to the subpoena. We resisted compliance with the subpoena, citing the overbreadth and burdensomeness of one category of documents and Privacy Act prohibitions as to all documents sought.

The requested documents, to the extent not privileged, were produced at a deposition in 7/81 following additional briefing of the issues by both parties and orders entered by both the California and District of Columbia courts. During the pendency of the motions to order the deposition to go forward, counsel for Rancho La Costa wrote a letter to Associate Attorney General Giuliani and contacted several FBI officials in an effort to persuade the Government to intervene in the

Enclosure *[Redacted]*

197-2350-23

2 MAR 22 1982

1 - Mr. Colwell
1 - Mr. Greenleaf
66 (Attn: Mr. Flanders)

1 - Mr. Young
(Attn: Mr. *[Redacted]*)
1 - Mr. Mintz
1 - Mr. *[Redacted]*

Memo from LC to Director
Re: RANCHO LA COSTA, etc. . . .

pending subpoena matter, alleging that current and former FBI employees were leaking information and documents to Penthouse. The matter concerning the possible unauthorized disclosure of documents was referred to the Inspection Division, Office of Professional Responsibility (OPR), which conducted a preliminary investigation. Also during the pendency of the motions, Mr. Giuliani received a request for a briefing on the possible disclosure of FBI documents from the office of Senator Denton.

The OPR inquiry, with the concurrence of OPR, Department of Justice, was discontinued in 10/81, due to difficulty in assessing the number of persons who would have had access to the documents sought in the subpoena and the fact that a number of the documents had, in fact, been previously released pursuant to Freedom of Information Act requests.

Nothing further was heard concerning this matter until 2/9/82 when [REDACTED] of our Civil Litigation Unit received a telephone call from a Washington Post reporter, and I was visited by [REDACTED] and [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Memo from LC to Director
Re: RANCHO LA COSTA . . .

The Los Angeles Division advises that they are in receipt of additional subpoenas for FBI documents, issued by the defendants, one of which is based on information furnished to them by former Los Angeles Supervisor [REDACTED] is currently a [REDACTED] b6

On 2/14/82, The Washington Post published a story concerning captioned litigation which mentions the letter to Mr. Giuliani and states that retired SAs are working for Penthouse.

RECOMMENDATION: None. For information.

APPROVED: <i>W</i>	Adm. Servs. _____	Laboratory _____
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Director _____		Gen. Inv. _____
Asst. Dir. _____	Ident. _____	Rec. Mgmt. _____
Inv. _____	Intell. _____	Training _____
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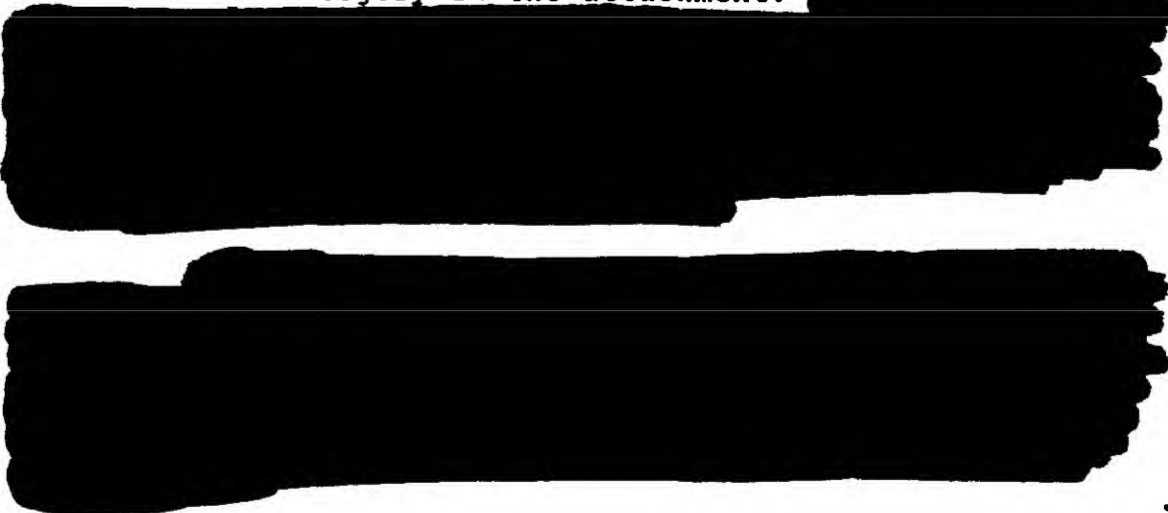
JA [REDACTED] b6

DETAILS: An article in the 3/75 issue of Penthouse magazine described La Costa, a lavish resort in California, as well as the details of the major public controversy surrounding La Costa as the result of the background of its principal owners and the manner in which the resort was financed. In particular, the article described the backgrounds of the principal founder of La Costa, Morris B. Dalitz and his partner Allard Roen, stating that Dalitz has been involved in organized crime since the 1930s and that Roen was a protege of Dalitz. The article further stated that the resort had been financed in large part by loans obtained from the Central States Pension Fund of the International Brotherhood of Teamsters with the assistance of Allen Dorfman. Finally, the article stated that these facts concerning La Costa had resulted in official investigations by State and Federal law enforcement agencies, including the FBI.

Memo from LC to Director
Re: RANCHO LA COSTA

In 5/75, Rancho La Costa, Incorporated, and four corporate subsidiaries, as well as Dalitz, Roen, Merv Adelson and Irvin Molasky filed captioned litigation, seeking \$630,000,000.00 in damages for libel. The complaint alleges that the Penthouse article falsely suggested that plaintiffs are "criminals" and "mobsters".

The Superior Court of the State of California, on motion of the defendants, found that good cause existed for the discovery of certain records in the possession of the FBI which are relevant to reports on the activities of the individual plaintiffs and certain associates who are reputed organized crime figures, and, on 11/21/80, entered an order that a commission issue for the deposition of the FBI at Washington, D.C. A Subpoena for Deposition was issued by the Superior Court of the District of Columbia on 12/1/80 and served at FBI Headquarters on 12/2/80. The subpoena commanded the appearance at deposition of an FBI official or designee to produce 30 FBI documents enumerated in an attachment to the subpoena as well as documents described in a "catch-all" category in the attachment.



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Memo from LC to the Director
Re: RANCHO LA COSTA

In 4/81 counsel for the defendants obtained, ex parte, an order from the Superior Court of the District of Columbia that the FBI comply with the subpoena. We did not oppose the entry of such an order, our only concern being compliance with the Privacy Act and the excision of privileged information before production of the documents sought. Following arguments by counsel for the plaintiffs that production of the subpoenaed documents would violate the privacy rights of their clients, and allegations that Penthouse was improperly in possession of the documents they sought to subpoena, the District of Columbia court stayed its order of production and referred the matter to the California court for additional hearings.

On 5/15/81, during the pendency of the motions concerning the FBI deposition, local counsel for the plaintiffs wrote a letter to Associate Attorney General Guiliani and contacted SAC, Los Angeles, and SAC, San Diego, in an effort to persuade the Government to intervene in the pending subpoena matter, alleging that current and former FBI employees were leaking information and documents to Penthouse. By memorandum dated 5/19/81 the matter of the possible unauthorized disclosure of documents was referred to the Inspection Division, OPR. Also, during the pendency of the motions, Mr. Guiliani received a request for a briefing on the possible disclosure of FBI documents from the office of Senator Jeremiah Denton.

On 7/21/81 the California Court entered an order finding that the defendants had previously demonstrated to the Court good cause for the production of FBI documents and ordering that the deposition go forward, with production of the documents numbered 1 through 54. The Court overruled all of plaintiffs' objections to the deposition noting that plaintiffs waived their purported "privacy rights" in relevant documents in the possession or under the custody of the FBI by bringing the lawsuit and are precluded from raising alleged violations of the Privacy Act to prevent discovery of relevant documents. On the basis of this order, on 7/24/81 the District of Columbia Court entered an order that the deposition and production of FBI documents take place on 7/30/81. The deposition was held, as scheduled, and the documents sought, to the extent not privileged, were produced.

Memo from LC to the Director
Re: RANCHO LA COSTA . . .

The matter of the possible unauthorized disclosure of documents was referred to the Inspection Division, OPR, by memorandum dated 5/19/81. OPR conducted a preliminary inquiry, the results of which were furnished to OPR, Department of Justice (DOJ), by memorandum 10/21/81. That preliminary inquiry determined that at least 16 of the 54 documents sought pursuant to the subpoena had previously been released under the Freedom of Information Act and that it would be difficult to fully assess the number of persons who would have had access to the documents not released due to their dissemination and connection with FBI investigative matters. By memorandum dated 10/29/81, OPR, DOJ, concluded that any further investigation would be futile inasmuch as it will be impossible to determine the identity of all those who had access to the subpoenaed documents. They further noted that they were considering the matter closed.

There was no further inquiry concerning this matter until 2/9/82, when [REDACTED] of our Civil Litigation Unit, who had responsibility for the subpoena matter, received a telephonic inquiry from John Berry, a reporter with The Washington Post. Berry had a copy of the 5/81 letter to Associate Attorney General Guiliani and requested that [REDACTED] comment concerning the context of the letter. [REDACTED] declined to discuss the matter with Berry. 66

At approximately 10 a.m. on February 9, 1982, [REDACTED] called me and requested an appointment that date to discuss an important matter. He said he was accompanied by [REDACTED]. He did not describe the purpose of his visit. I agreed to meet with them. [REDACTED] and [REDACTED] arrived at approximately 11:50 a.m. and stayed until 12:34 p.m., February 9.

After discussing general matters such as [REDACTED], he began telling me of his concern about the apparent improper releases of information and documents by Agents and former Agents of the FBI. He said that he recalled that [REDACTED] the Bureau would go to great lengths to protect its files from

Memo from LC to Director
Re: RANCHO LA COSTA . . .

disclosure and, in the event an employee disclosed
information or released documents without authority, there
would be an FBI investigation. At that point, I asked [REDACTED]
[REDACTED] whom he represented and why he was visiting me.

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[REDACTED]

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Memo from LC to the Director
Re: RANCHO LA COSTA

[REDACTED] b5 b6

On 2/9/82, the Principal Legal Advisor (PLA), San Diego, advised that the Agents named by [REDACTED] had in fact been subpoenaed to testify at the trial of captioned matter.

[REDACTED]

It was also learned that the reporter for The Washington Post who contacted Mr. [REDACTED] has contacted the San Diego Division in an effort to develop information concerning what he termed the "cozy relationship between the FBI and Penthouse."

On 2/9/82 and 2/11/82 a Legal Advisor in the Los Angeles Division advised that they had received additional subpoenas for FBI documents issued on behalf of the defendants, one of which is based on information furnished to Penthouse by [REDACTED] b6

[REDACTED] Response to the subpoenas is being coordinated with the AUSA referred to above. Los Angeles has been instructed to closely monitor the ongoing trial to insure protection of FBI interests.

Again noting that we had no contact with anyone concerning this matter for over six months subsequent to compliance with the subpoena, it appears more than coincidental that the visit by [REDACTED] and [REDACTED] and the interest by the news media occurred during trial, immediately following conclusion of the plaintiffs' case and commencement of the defense case by Penthouse. b6

On 2/14/82, The Washington Post published a story by John F. Berry concerning the trial. The article, a copy of which is attached, mentions the letter to Mr. Giuliani and states that retired SAs are working for Penthouse.

FBI Wonders If Departing Agents Stripped Files on Racketeers

By John F. Berry

Washington Post Staff Writer

The Penthouse magazine libel trial demonstrates, if nothing else, that crime does pay—up to \$250 an hour.

Penthouse is paying that much to a self-described mob "hitman" to testify as an expert witness against claims that it libeled the owners of a plush California resort by suggesting they were involved in organized crime. But the highly paid Penthouse defense team also includes former agents for the FBI and the Internal Revenue Service, and this alliance has raised troubling questions in the secretive halls of the FBI.

It is not unusual for both sides in a legal dispute to hire expert witnesses, but attorneys for the resort and other sources allege that Penthouse bought more than just expertise from some of these erstwhile federal employees. It is alleged that when ex-agents retired they took with them classified investigative documents bearing on the libel case.

The trial, now dragging into its 12th week in Compton, Calif., Superior Court, stems from an article that appeared in the March, 1975, issue of Penthouse. The story alleged

that organized crime figures founded, financed and frequented a plush resort in Carlsbad, Calif., called Rancho La Costa. The owners of La Costa promptly responded with a \$490 million libel suit.

Penthouse, seeking to prove the truth of the article, has hired numerous self-described organized-crime figures as expert witnesses and investigators. One expert, self-described mob "hitman" Aladena (Jimmy the Weasel) Fratianno, is on loan to Penthouse from the federal protective custody program, where he is a government witness against fellow mobsters. Fratianno gets \$250 an hour from Penthouse while he prepares to testify; his lawyer gets \$125 an hour, according to court papers.

The allegation that "confidential information and documents have been illegally taken from the FBI's files" is contained in a May 15, 1981, letter to Associate Attorney General Rudolph W. Giuliani from Washington attorney Judah Best, who was retained as special counsel for La Costa.

As outlined in Best's letter, the controversy over documents dates to November, 1980, when the California court granted a motion

by Penthouse attorneys to take testimony from FBI officials in Washington concerning confidential documents.

The Penthouse attorneys requested some 54 documents from the agency. The FBI asked the magazine to get an order from District of Columbia Superior Court releasing the documents.

When attorneys for La Costa belatedly learned of the California judge's order, they went to D.C. Superior Court to oppose release of the documents, claiming the information requested was far in excess of what the judge approved. The motion was denied and in May of last year the documents were released to Penthouse.

Shortly after, Best wrote Giuliani asking the Justice Department to seek an order vacating the earlier Superior Court decision. He argued that Penthouse had the documents before it asked the FBI for them, and was going through the civil discovery process "to legitimize or cover up the theft of this information from the FBI.

"The nature of documents... and the specificity with which they are described indicate that the security and confidentiality

of the FBI's records have been breached," Best wrote.

Government agencies—particularly investigative agencies like the FBI and the IRS—are extremely careful not to release documents that are classified or that would violate the privacy act. Moreover, the names of federal investigators are invariably expunged from released documents.

But a review of the requests for documents by Penthouse, on file in D.C. Superior Court, shows that the magazine's attorneys had unusually specific information in advance, including the names of FBI agents.

The request included, for example:

- "Identification record of Morris B. Dalitz [a La Costa founder] under FBI No. 4 124 252."

- "Report of Special Agent W. Albert Stewart Jr., dated Apr. 19, 1958, at Salt Lake City, entitled 'Morris B. Dalitz, anti-racketeering.'"

- "Report of Special Agent Nicholas J. Lore dated May 14, 1975, at San Diego, entitled 'Rancho La Costa Inc., et al.'"

- "San Diego airtel [referring to an expedited internal communication] to director

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dated Nov. 5, 1965, entitled 'Rancho La Costa Inc., et al., anti-racketeering.'

Norman Roy Grutman, a New York criminal attorney who is arguing Penthouse's case in court, angrily denies any suggestion of wrongdoing. "If you are suggesting some alleged impropriety, I find the suggestion offensive," he said by telephone from Los Angeles. "We didn't have the files in advance."

Other sources familiar with the case said that, during the years of pre-trial work by Penthouse, attorneys for the magazine told them they were getting cooperation from FBI agents, some of whom went on the Penthouse payroll after retiring.

The Penthouse article, "La Costa: the Hundred Million Dollar Resort with Criminal Clientele," was written by two freelance investigative reporters, Jeff Gerth, now with The New York Times, and Lowell Bergman, with the American Broadcasting Co. Last year, the co-authors settled with the plaintiffs and are no longer defendants in the suit.

The suit was filed by La Costa, four of its subsidiaries and two of its founders, claiming that the article falsely linked them to organized crime. The two suing founders are Merv Adelson and Irwin Molasky, who, after establishing the huge resort complex on the Pacific Ocean north of San Diego, also started Lorimar Productions, which turned out television shows such as "The Waltons," "Dallas" and "The Blue Knight."

But Penthouse's attorneys have zeroed on another founder, who is not a plaintiff in the current proceeding, 82-year-old Morris B. Dalitz, a Las Vegas casino proprietor. Dalitz has acknowledged in testimony before the California jury that he was a bootlegger and liquor smuggler during Prohibition, had operated illegal gambling houses in the Midwest and knew or was friendly with a long list of organized crime figures.

The ex-FBI agents working for Penthouse have been drawn from bureau offices in California, Nevada and the Midwest and are under the direction of John R. Barron. Before he retired from the FBI in 1978 after 27 years, Barron had supervised agents working with the Los Angeles federal organized crime strike force.

In a telephone interview, Barron was asked if he or other ex-agents on the Penthouse defense team had brought any documents from the FBI. "Not to my knowledge," he said. But, he said, "What's in my head is in my head."

"I know who Moe Dalitz is. I can tell them [attorneys for Penthouse] what records to subpoena. But I wouldn't have remembered specific dates."

Penthouse is subpoenaing agents whose names appear on the contested documents, causing some concern among law enforcement officials that court questioning will get into classified matters. But Grutman, the Penthouse lawyer, says, "At no instance are we going to blow anybody's cover."

Grutman, who has a reputation for aggressive questioning and courtroom showmanship, got into trouble recently for his trial behavior. In a separate case involving Penthouse, U.S. District Court Judge Thomas P. Griesa in the southern district of Manhattan sanctioned Grutman for "willful misrepresentation to the court." The opinion was upheld last October by the Second Circuit Court of Appeals, which found that Grutman had made "material misrepresentations" and had been "grossly negligent."

As for the La Costa case, Grutman says "bureaucratic inertia" has stalled the war against organized crime, a wrong that he says the civil suit against Penthouse will help correct. "I've spent seven years on this case," he says, "and I thank God for the opportunity to shake the sleepy head of the law."

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FM LOS ANGELES (197-187) (LEGAL UNIT) (C)

TO DIRECTOR (ROUTINE)

LAS VEGAS (ROUTINE)

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UNCLAS

ATTENTION: CIVIL LITIGATION UNIT II

ATTENTION: LAS VEGAS SUPERVISOR [REDACTED]

RANCHO LA COSTA, ET, ET AL, PLAINTIFF, VS. PENT-
HOUSE INTERNATIONAL, LTD, ETC, ET AL, DEFENDANTS,
LOS ANGELES SUPERIOR COURT CASE NUMBER C 124 901.

RE LOS ANGELES TELEPHONE CALL TO SA [REDACTED]
CLU II, MARCH 9, 1982.

ON MARCH 8, 1982, AUSA WILLIAM JAMES, LOS ANGELES,
ADVISED THAT RANCHO LA COSTA ATTORNEYS WERE WITHDRAWING
THEIR MOTION FOR THE PRODUCTION OF FBI TAPES ETC.

THE TAPES WERE SOUGHT TO IMPEACH DAVID GOTTLIEB,
[REDACTED]

GOTTLIEB TESTIFIED MARCH 5, 1982, AND IN THE OPINION OF [REDACTED]

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FEDERAL BUREAU
OF INVESTIGATION

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RANCHO LA COSTA ATTORNEYS WAS [REDACTED]

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LOS ANGELES IS CLOSING THE MATTER.

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